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OF THE

PROVINCE OF ONTARIO

*From the 19th February to 9th April, 1941
Both Days Inclusive*

IN THE FIFTH YEAR OF THE REIGN OF OUR SOVEREIGN LORD
KING GEORGE VI

BEING THE

Sixth Session of the Twentieth Legislature

SESSION 1941

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95. As to whether it is the policy of the Ontario Hydro Power Commission to require Northern Ontario users of power to make large cash deposits before extension of power service, 118.
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2. Constituted, 18.

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RAINBOW BRIDGE, ACT RESPECTING THE:

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REAL ESTATE BROKERS ACT, THE:

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No. 2	Estimates of certain sums required for the services of the Province for the year ending 31st March, 1942. Presented to the Legislature, March 14th, 1941. <i>Printed.</i>
No. 3	Report of the Minister of Lands and Forests of the Province of Ontario for year ending March 31st, 1940. Presented to the Legislature, February 26th, 1941. <i>Printed.</i>
No. 4	Report of the Department of Mines for year ending March 31st, 1941. Presented to the Legislature, April 9th, 1941. <i>Printed.</i>
No. 5	Report of the Inspector of Legal Offices for year ending December 31st, 1940. Presented to the Legislature, April 3rd, 1941. <i>Printed.</i>
No. 6	Report of the Superintendent of Insurance for year ending December 31st, 1940. Presented to the Legislature, April 9th, 1941. <i>Printed.</i>
No. 7	Report of the Registrar of Loan Corporations for year ending December 31st, 1940. Presented to the Legislature, April 9th, 1941. <i>Printed.</i>
No. 8	Report of the Department of Public Works for year ending March 31st, 1940. Presented to the Legislature, March 10th, 1941. <i>Printed.</i>
No. 9	Annual Report of the Game and Fisheries Department, Ontario, for year ending March 31st, 1940. Presented to the Legislature, April 7th, 1941. <i>Printed.</i>
No. 10	Report of the Department of Labour of the Province of Ontario for year ending March 31st, 1940. Presented to the Legislature, February 28th, 1941. <i>Printed.</i>
No. 11	Report of the Department of Education, Ontario, for the twelve months ending October 31st, 1940. Presented to the Legislature, April 9th, 1941. <i>Printed.</i>
No. 12	Report of the Board of Governors of the University of Toronto for the year ending June 30th, 1940. Presented to the Legislature, February 20th, 1941. <i>Printed.</i>

- No. 13 Report relating to the Registration of Births, Marriages and Deaths in the Province of Ontario for year ending December 31st, 1940. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 14 Report of the Department of Health, Ontario, 1940. Presented to the Legislature, March 11th, 1941. *Printed.*
- No. 15 Annual Report of the Hospitals Division on Ontario Hospitals for the Mentally Ill, Mentally Defective, Epileptic and Habituate patients for year ending March 31st, 1940. Presented to the Legislature, March 21st, 1941. *Printed.*
- No. 16 Report on the Hospitals and Sanatoria of the Province of Ontario for year ending December 31st, 1940. Presented to the Legislature, April 9th, 1941. *Not Printed.*
- No. 18 Report upon the Prisons and Reformatories of the Province of Ontario for year ending March 31st, 1941. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 19 Report of the Minister of Public Welfare, Province of Ontario, for fiscal year 1939-1940. Presented to the Legislature, March 11th, 1941. *Printed.*
- No. 20 Report of the Liquor Control Board of Ontario for year ending March 31st, 1940. Presented to the Legislature, April 1st, 1941. *Printed.*
- No. 21 Report of the Minister of Agriculture, Ontario, for the year ending March 31st, 1940. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 22 Report of the Statistics Branch, Department of Agriculture, Ontario, for year 1940. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 23 Annual Report of the Temiskaming and Northern Ontario Railway Commission for year ending March 31st, 1940. Presented to the Legislature, April 3rd, 1941. *Printed.*
- No. 24 Report of the Ontario Municipal Board to December 31st, 1940. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 26 Annual Report of the Hydro-Electric Power Commission of Ontario for year ending October 31st, 1940. Presented to the Legislature, April 3rd, 1941. *Printed.*
- No. 27 Report of Provincial Auditor, 1939-40. Presented to the Legislature, March 21st, 1941. *Printed.*

- No. 28 Report of the Workmen's Compensation Board of Ontario for the year 1940. Presented to the Legislature, March 28th, 1941. *Printed.*
- No. 29 Report of the Ontario Veterinary College for the year 1940. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 30 Report on the Distribution of the Sessional Statutes, 1940, from March 14th, 1940, to March 6th, 1941. Presented to the Legislature, March 10th, 1941. *Not Printed.*
- No. 31 Report of the Department of Municipal Affairs for the Province of Ontario for the year ending March 31st, 1941. Presented to the Legislature, April 9th, 1941. *Not Printed.*
- No. 32 Report of the Department of Highways for fiscal year ending March 31st, 1940. Presented to the Legislature, April 9th, 1941. *Printed.*
- No. 33 Report of the Secretary and Registrar of the Province of Ontario with respect to the administration of The Companies Act, The Extra-Provincial Corporations Tax Act, The Mortmain and Charitable Uses Act and The Companies Information Act for fiscal year ending March 31st, 1940. Presented to the Legislature, April 4th, 1941. *Not Printed*
- No. 34 Report of the Commissioner of the Ontario Provincial Police from January 1st, 1940, to December 31st, 1940. Presented to the Legislature, March 28th, 1941. *Printed.*
- No. 35 Report of the Ontario Athletic Commission for the period from April 1st, 1939, to March 31st, 1940. Presented to the Legislature, March 11th, 1941. *Not Printed.*
- No. 36 Annual Report of the Public Service Superannuation Board, Ontario, for year ending March 31st, 1940. Presented to the Legislature, February 20th, 1941. *Not Printed.*
- No. 37 Annual Report of the Civil Service Commissioner of Ontario for year ending March 31st, 1940. Presented to the Legislature, February 21st, 1941. *Not Printed.*
- No. 38 Order-in-Council made pursuant to The Ontario Insurance Act and Guarantee Companies' Securities Act, Department of Insurance. Presented to the Legislature, February 20th, 1941. *Not Printed.*
- No. 39 Return to an Order of the House dated February 23rd, 1940, That there be laid before this House a Return showing: 1. What purchases of coal were made by the Government during the fiscal year ended March 31st, 1939, indicating (a) the institutions or buildings for which coal was purchased, (b) the kinds and quantities of coal supplied by each dealer, to each institution, (c) the per ton price with respect to each purchase, (d) the total amount paid to each dealer with respect to coal supplied to each institution or building.

2. Was the coal purchased on a tender basis. 3. Were tenders advertised for, and if so, when and in what newspapers. 4. Was each dealer who so desired allowed to tender. 5. What was the total quantity of Nova Scotia coal purchased by the Government in the fiscal year ended March 31st, 1939. *Mr. Arnott.* Presented to the Legislature February 20th, 1941. *Not Printed*
- No. 40 Annual Report of the Ontario Historical Society for year 1939-1940. Presented to the Legislature, February 20th, 1941. *Not Printed.*
- No. 41 Annual Report of the Niagara Parks Commission for year ending March 31st, 1940. Presented to the Legislature, February 20th, 1941. *Printed.*
- No. 42 Statement of the Legislative grants apportioned to the Rural Public Schools and all Separate Schools for the year 1940. Presented to the Legislature, February 26th, 1941. *Not Printed.*
- No. 43 Supplementary Report of the Ontario Department of Public Welfare in connection with the programme to place British children in Ontario homes for the duration of the war. Presented to the Legislature, February 27th, 1941. *Printed.*
- No. 44 Report of the Commission for the Investigation of Cancer Remedies for the year ending December 31st, 1940. Presented to the Legislature, March 10th, 1941. *Not Printed.*
- No. 45 Orders-in-Council pertaining to the Department of Education 1940-41. Presented to the Legislature, March 13th, 1941. *Not Printed.*
- No. 46 Return to an Order of the House dated March 10th, 1941, That there be laid before this House a Return showing: All letters, memoranda, certificates and documents of whatsoever nature in the possession of the Government or of any member, official or employee of the Government in relation to one John Kluck who was a patient at the Ontario Hospital at Penetanguishene and who was arrested in the City of Toronto in the month of September, 1940, on a charge of murder. *Mr. Frost.* Presented to the Legislature, March 13th, 1941. *Not Printed.*
- No. 47 Return showing: 1. What are the names of individual proprietors, names in partnership, directors and shareholders of corporations having beverage room authorities as of January 1st, 1941, for the City of Toronto and also for the County of York, giving transfers since that date. 2. Does the Liquor Commission impose regulations that require authority holders to reveal whether they are sole proprietors and if not, give names of persons associated. *Mr. Stewart.* Presented to the Legislature, March 25th, 1941. *Not Printed.*

- No. 48 Copy of agreement between the Government of Ontario and the Government of Canada regarding the proposed Great Lakes, St. Lawrence Basin Development, together with correspondence, documents and Engineer's report regarding the same. Presented to the Legislature, March 26th, 1941. *Not Printed.*
- No. 49 Return to an Order of the House dated March 28th, 1941, That there be laid before the House a Return showing: 1. What was the total cost of the shrubs, trees and rose bushes planted on the Queen Elizabeth Way from Toronto to Hamilton, and specify: (a) Unit cost with respect to each type of shrub, tree and rose bush; (b) Total cost with respect to each type of shrub, tree and rose bush; (c) Name of each vendor and total amount paid each vendor and stating address in each case. 2. What was the total amount of labour costs, trucking costs and all other items incidental to planting. 3. What was the total cost of sodding operations on the Queen Elizabeth Way from Toronto to Hamilton, indicating: (a) Unit prices; (b) Total cost of sod; (c) From whom purchased, address; (d) Labour costs; (e) Trucking and all other incidental costs. *Mr. Murphy.* Presented to the Legislature March 28th, 1941. *Not Printed.*
- No. 50 Report of the Commissioners appointed to inquire into the affairs of Abitibi Power and Paper Company, Limited. Presented to the Legislature, March 31st, 1941. *Printed.*
- No. 51 Report of the Ontario Research Foundation for year ending December 31st, 1940. Presented to the Legislature, March 31st, 1941. *Printed.*
- No. 52 Return to an Order of the House dated April 2nd, 1941, That there be laid before the House a Return showing: 1. What contracts were awarded in each of the fiscal years 1938, 1939, 1940 to the following companies, namely: Dufferin Paving and Crushed Stone, Limited; Dufferin Construction Company, Limited; National Paving Company, Limited; Construction and Paving Company of Ontario, Limited; Quebec Paving Company, Limited; A. Cope & Sons, Limited; instancing in each case: (a) Details as to service or work performed and materials supplied, with unit prices in each case and specifying total amount paid to each company with respect to each contract; (b) Any extensions of contracts, giving full particulars in the case of each such extension. 2. What was the total amount paid to each of the aforementioned companies in each of the fiscal years 1938, 1939, 1940 and 1941. 3. Were the contracts and extensions of contracts awarded on a tender basis and was the lowest tender in each case accepted, if not, specify. 4. Were any contracts let on a cost plus basis and if so, give particulars. *Mr. Doucett.* Presented to the Legislature, April 2nd, 1941. *Not Printed.*
- No. 53 Order-in-Council and Regulations for the Prevention and Mitigation of Psittacosis, Department of Health. Presented to the Legislature, April 3rd, 1941. *Not Printed.*

- No. 54 Certain papers in connection with Hydro-Electric Power reserves. Tabled in the Legislature by the Prime Minister during the course of the Budget Debate, April 3rd, 1941. *Not Printed.*
- No. 55 Certain papers in connection with Provincial Loans. Tabled in the Legislature by the Prime Minister during the course of the Budget Debate, April 3rd, 1941. *Not Printed.*
- No. 56 Return to an Order of the House dated April 7th, 1941, That there be laid before the House a Return showing: 1. What is the total cost of the addition to the Hydro-Electric Power Commission Head Office since 1937: (a) Building; (b) Furniture and furnishings; (c) Equipment and accessories (1) to date, (2) estimated to complete. 2. Was the expenditure approved by the (a) Hydro-Electric Power Commission; (b) By the Ontario Government—and what date. 3. Were tenders called. If so, what tenders were received. 4. When was the addition started. 5. What was the cost of the new Hydro-Electric Power Commission building to the end of 1937, contracted for in 1934 or 1935. *Mr. Welsh.* Presented to the Legislature, April 7th, 1941. *Not Printed.*
- No. 57 Return to an Order of the House dated April 8th, 1941, That there be laid before the House a Return showing: 1. Please give the amounts of legislative grants paid to Elementary and Secondary Schools in each of the Government's fiscal years for the period 1934 to 1940 inclusive, under the following classifications: Elementary—Public, Separate; Secondary—Continuation, High, Vocational, Collegiate. 2. How are the grants determined. 3. On what basis are the grants computed. 4. Have any grants, other than scheduled grants, been made to either public or separate schools. If so, when and what amount. *Mr. Stewart.* Presented to the Legislature, April 8th, 1941. *Not Printed.*
- No. 58 Return to an Order of the House dated April 9th, 1941, That there be laid before the House a Return showing: 1. What lands have been acquired to provide for construction of approaches or other works in connection with the Rainbow Bridge at Niagara Falls, indicating: (a) Description of each parcel acquired; (b) From whom each parcel was acquired; (c) Purchase price of each parcel acquired; (d) Whether acquired by mutual agreement or by expropriation; (e) Who acted for the Government or any Department, Commission or other agency of the Government in fixing valuations for lands acquired; (f) What buildings or other structures were located on each parcel and what disposition was made of such buildings or structures, to whom and under what terms. *Mr. Macaulay.* Presented to the Legislature, April 9th, 1941. *Not Printed.*
- No. 59 Report upon the Ontario Training Schools for year ending March 31st, 1941. Presented to the Legislature, April 9th, 1941. *Not Printed.*
- No. 60 Report of the Milk Control Board of Ontario for year ending December 31st, 1940. Presented to the Legislature, April 9th, 1941. *Not Printed.*

RETURNS ORDERED BUT NOT BROUGHT DOWN

1. Showing: Return of all letters, correspondence, memoranda, estimates, recommendations, rulings, directions, tenders, orders and documents of whatsoever nature in the possession of the Government or of any member, official, or employee, of the Government, respecting the installation of a lighting system on any part of the Queen Elizabeth Way between Hamilton and Niagara Falls, and including documents relating to purchase of material and contracts relating to the installation.
2. Showing: 1. What purchases were made in the years 1936, 1937, 1938, 1939 and 1940 from the Taylor Hardware Company, either from its head office at New Liskeard, or from any of its branches elsewhere, by all Departments of the Ontario Government, including the Temiskaming and Northern Ontario Railway, giving the total amount of the purchases in each year from each branch of the company by each Department. 2. What was the general nature of the purchases.
3. Showing all correspondence, memoranda, maps, plans, sketches and applications in relation to licenses of occupation relating to parts of lots numbered Eleven and Twelve in the First Concession of the Township of Cavendish, such licenses of occupation being applied for by or on behalf of Frank Williams, Percy Blade, George Goodfellow and George Windover or any of them.
4. Showing: (a) The number of motor cars and trucks purchased by the Government since July 11th, 1934, or by any board or commission of the Government, the Hydro-Electric Power Commission of Ontario excepted; (b) The department, board or commission for which purchased; (c) Date of purchase; (d) Make of car or truck; (e) Type of car or truck; (f) From whom purchased, with address; (g) Purchase price; (h) Indicating which of the cars and trucks so purchased are still owned by the Government or its board or commissions.
5. Showing: 1. How many agreements have been signed between the Government and companies, firms or individuals, requiring the construction of pulpmills in the Province of Ontario since January 1st, 1936. 2. Give names of companies, firms or individuals and type of mill, capacity, proposed location and date when mill to be completed in each case. 3. Which of the mills have been constructed. 4. Which of the mills are under construction. 5. Which of the contracting companies, firms or individuals are in default with respect to their agreements to build mills, giving default date and particulars of default in each case.
6. Showing: 1. In connection with the Ontario Hospitals at St. Thomas, Port Arthur and Brampton, and in connection with additions or extensions at the Ontario Hospitals at Woodstock and New Toronto: (a) What outside architects were employed and what amount was paid to each by the present Government and what amounts are still due or claimed; (b) Give the same information in relation to employment of superintending engineers.

JOURNALS

OF THE

LEGISLATIVE ASSEMBLY

OF THE

PROVINCE OF ONTARIO

WEDNESDAY, FEBRUARY 19TH, 1941

PROCLAMATION

ALBERT MATTHEWS

CANADA

PROVINCE OF ONTARIO

GEORGE THE SIXTH by the Grace of God of Great Britain, Ireland and the British Dominions beyond the Seas KING, Defender of the Faith, Emperor of India.

To Our Faithful, the Members elected to serve in the Legislative Assembly of our Province of Ontario, and to every of you—GREETING.

G. D. CONANT, }
Attorney-General. } **W**HEREAS it is expedient for certain causes and considerations to convene the Legislative Assembly of Our Province of Ontario, WE DO WILL that you and each of you and all others in this behalf interested, on Wednesday, the nineteenth day of February now next, at Our City of Toronto, personally be and appear for the actual Despatch of Business, to treat, act, do and conclude upon those things

which, in Our Legislature of the Province of Ontario, by the Common Council of Our said Province, may by the favour of God be ordained.

HEREIN FAIL NOT.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the GREAT SEAL of Our Province of Ontario to be hereunto affixed.

WITNESS:

THE HONOURABLE ALBERT MATTHEWS, LIEUTENANT-GOVERNOR
OF OUR PROVINCE OF ONTARIO.

At Our City of Toronto, in Our said Province, this eighteenth day of December in the year of Our Lord one thousand nine hundred and forty and in the fifth year of Our Reign.

BY COMMAND

C. F. BULMER,
Clerk of the Crown in Chancery.

Wednesday, the nineteenth day of February, 1941, being the first day of the Sixth Session of the Twentieth Legislature of the Province of Ontario for the Despatch of Business pursuant to a Proclamation of the Honourable Albert Matthews, Lieutenant-Governor of the Province.

3 O'CLOCK P.M.

And the House having met,

The Honourable the Lieutenant-Governor of the Province then entered the House and, being seated on the Throne, was pleased to open the Session by the following gracious speech:—

Mr. Speaker and Gentlemen of the Legislative Assembly:

In extending my welcome to you this afternoon I am saddened by the thought that since the last Session four members of the Legislature have passed away. The former Minister of Education, the Honourable Dr. L. J. Simpson, Mr. W. A. Baird and Mr. C. A. Robertson sat in this Chamber for very many years, while Mr. C. V. Gallagher had been a member since 1937. They rendered valuable and faithful service to our Province and I join with you in paying tribute to their memory.

Two new members have been elected and appointed to the Cabinet: Hon. Duncan McArthur as Minister of Education and Hon. Robert Laurier as Minister of Mines. Hon. F. R. Oliver, who has been a member of the Legislature since 1926, has also been appointed as Minister of Public Works. I should like to extend to them my personal good wishes in their high positions.

During the year that has passed activities of the various Departments have been greatly influenced by considerations arising out of the War. The Government has not hesitated to spend money where this was needed for spurring our war effort. The expenditures usually associated with peace time developments and expansion, however, have been curtailed and, as a result, I am happy to inform you that the finances of the Province are in a very satisfactory condition.

I am sorry I cannot speak in the same way of our great agricultural industry. During the last twelve years the average farm income has dropped from 18% of the national income to 8%, although farmers number 30% of Canada's population. As I told you last year, Great Britain was asking us for larger supplies of bacon, cheese and manufactured milk. Ontario farmers co-operated loyally. Over one-half million hogs and nearly nine million pounds more cheese were marketed last year than in 1939. This year, I am informed, Ontario must produce an additional ten million pounds of cheese. Our farmers realize that Great Britain is paying all she can for food, but they themselves are faced with rising labour costs due to the demands of war industries, and increased prices for the things they need. They believe that if the domestic prices of farm products are pegged the prices of the articles they have to purchase should be pegged also. That, however, is a matter beyond provincial jurisdiction. To alleviate this situation, the Government has agreed to bonus cheddar cheese by two cents a pound and to pay a premium of at least 50 cents a head on all marketed hogs grading B-1 and at least \$1.00 per head on hogs grading A. The necessary financial provision for these bonuses will be submitted to you. With this practical encouragement, it is hoped that the additional demands will be met. The movement to improve seed grain has now reached forty-one counties and ninety-two seed cleaning plants are operating. The Ontario Veterinary College is making a definite attack upon Bangs disease with very promising results and during the past two years 83,000 cattle have been tested.

Efforts are being made through the medium of the secondary schools of the province, to enlist the help of senior boys and girls in solving the problem of the shortage of farm labour. With the co-operation of the schools and universities, arrangements are being made by which several thousand senior pupils will be given credit for the year's full work at Easter and thus be released from further compulsory attendance at school.

War conditions have greatly increased the work of the Attorney-General's Department, particularly with respect to civil security. This has been met, in part, by a new arrangement for calling out the militia; by increasing the numbers and efficiency of the Provincial Police; by constituting the Ontario Volunteer Constabulary and by sponsoring municipal units of Volunteer Civil Guards. In addition, civilian defence committees, patterned on the Air Raid Precaution plan in England have been formed. Enforcement of the Defence of Canada Regulations relating to subversive activities has thrown added work on the Department. In many cases, the consent of the Attorney-General is required before prosecutions may be instituted and, in the important or difficult cases, officials of the Department have conducted the prosecutions. The fullest assistance has been furnished to the Active Service forces in fire instructions and problems of protection from fire and sabotage. Industrial plants have also been given this service.

The Select Committee appointed to enquire into the administration of justice, under the Chairmanship of the Attorney-General, has completed its work and its report will be presented to you. Legislation to implement some of the recommendations of the Committee will be introduced during the Session.

The demands of the war industries have called for special efforts by the Department of Labour. Plans for new buildings totalling over two million dollars a month have had to be inspected and approved, and the safety and health of the workers closely watched. In this connection a special committee has been formed to deal with concessions sought by firms engaged on war orders. To help supply skilled workmen, the Departments of Labour and Education have co-operated with the Dominion authorities in a training programme which uses the technical and vocational schools and special training centres throughout the Province. Instruction is provided in aircraft mechanics, machine shop practice, woodworking, welding, motor mechanics, fitting, power sewing machine operating, radio, tool and die making. Enrolment is over 2,000, which will probably increase to 5,000 in the near future. Training for 1,600 enlisted men in various mechanical trades is also under way. During the first ten months of the fiscal year approximately 3,000 persons were trained under the Youth Training Programme, 948 of them at the Aircraft Training School at Galt for enlistment in the Royal Canadian Air Force as mechanics and wireless operators. One class of 66 operators took their final tests a few days ago and not a single student failed.

Highway construction was curtailed during the year. Tariff and Exchange regulations, together with the development of war industries in Fort William and Port Arthur, emphasized the need for an all-Canadian highway and has resulted in a determined effort to complete the northern and western roads across the Province with the least possible delay. Last year the work was completed from Nipigon to Geraldton and the remaining link from Geraldton to Hearst will be finished this year. The other main project was the completion to Niagara Falls of the Queen Elizabeth Way. This work was done in record time at reasonable cost, and the growing war traffic has fully warranted this expansion. It is expected that the development from Toronto to Oshawa will be completed this year.

The Department of Health reports that 98 per cent. of all milk sold for fluid consumption is now being pasteurized and there has been a marked reduction in disease which may be milk borne. Typhoid fever has been reduced 50 per cent. and undulant fever 45 per cent. An intensive programme of prevention and control has resulted in another four per cent. decrease in the death rate from tuberculosis, which is now down to 28.9 per 100,000 population as compared with 64.7 for the rest of Canada. Laboratory service to all troops in training in the Province has been continued and advice and assistance given on sanitary problems in the various camps. Legislation will be submitted for compulsory hospital treatment where necessary for persons in an infectious state of pulmonary tuberculosis. A Bill will also be presented to permit the Department to supervise any non-profit insurance scheme for medical and hospital care.

The great importance of securing United States exchange has led the Government to set aside \$300,000 this year for tourist publicity, and local tourist associations are co-operating enthusiastically in the campaign. Statistics from

the Game and Fisheries Department indicate the important part it plays in attracting visitors to Ontario. The huge total of 854,000,000 fish of twelve different species were distributed from the 25 hatcheries and rearing stations. During 1939 two short open seasons for beaver resulted in 35,000 pelts being taken. Last year in one open season 20,000 skins were secured, mostly for export to the United States. With a price of over \$20 a pelt the value of this will be realized. Revenues of the Department approximated one million dollars, leaving a balance over expenditure of more than \$440,000.

Although actual figures may not be disclosed, I can assure you that mining production in Ontario last year was far in excess of any previous year. In gold alone 65 mines established new records. On the Temiskaming and Northern Ontario Railway north of Cochrane, drilling and stripping operations continue to uncover extensive beds of lignite coal of which several million tons have been blocked out. Burning tests of this coal, both raw or processed, in many instances exceed expectations. It is hoped that further investigation will result in the commercial development of this fuel for the homes and industries of northern Ontario. Fewer passengers were carried by the railway, but freight traffic increased considerably and earnings will compare favourably with previous years.

With Scandinavian supplies cut off Great Britain has relied upon Canada to meet her need for forest products. Ontario pulp, paper and lumber producers have co-operated to fill these requirements which, together with normal demands, has resulted in an improved and stable market.

Increased power deliveries for war industries have featured the activities of The Hydro-Electric Power Commission of Ontario. Up to September the increase of the primary peak load, all systems, was about 14 per cent., but in subsequent months, due in part to the continuation of Daylight Saving in certain municipalities, the increase in peak load was 6 to 7 per cent.

Continued development of the mining industries was responsible for an increase of 20 per cent. in the total primary peak loads in the districts served by the Northern Ontario Properties. An additional unit of 7,500 horsepower was added to the Ear Falls development serving the Patricia-St. Joseph district, bringing its capacity up to 17,500 horsepower.

In the rural power districts the construction of about 1,400 miles of rural primary lines was authorized to serve some 10,000 new rural consumers. At present about 19,600 miles of rural primary line serve 123,000 consumers, more than half of which are individual farms.

New power developments to serve the Georgian Bay and Eastern Ontario systems respectively have been started at Big Eddy on the Musquash River and at Barrett Chute on the Madawaska River.

In accordance with the arrangement made with the United States which has permitted the use of additional water at Niagara Falls for war purposes, works required for diverting an equivalent flow of water from the Ogoki River to the Great Lakes have been started, and the Long Lake diversion has been put into operation.

The Commission was able to meet all demands and has taken steps to ensure there shall be ample supplies of power for war industries.

The Department of the Provincial Secretary reports that a small but definite reduction in the number of prisoners is continuing. The Ontario Reformatory, Mimico, and the Industrial Farm, Monteith, have been turned over to the Dominion authorities and with the restricted accommodation the policy of using some prisoners in the road camps in northern Ontario is working out satisfactorily.

Capital expenditures by the Department of Public Works continue to be restricted, but satisfactory progress has been made on the Grand River conservation scheme, which will be completed early this year.

During the year 600 children from Great Britain were brought to Ontario under Government auspices, but several thousand homes were readily available to the Department of Public Welfare which is supervising the well-being of the children during their stay. Many private agencies gave willing co-operation in this work. Among those assisting was the Queen's Park War Service Guild. The Guild has raised \$18,000 for war work and has undertaken numerous activities throughout the year, including provision of comforts for more than 700 Civil servants who have enlisted.

The Department of Municipal Affairs reports a decided improvement in municipal finances. Figures for 1940 are not yet available, but during 1939 the gross funded debt was reduced by over sixteen million dollars to the figure of \$388,202,000 or \$112.75 per capita. This is the lowest figure since 1923 when the debt stood at \$376,500,000, or \$133.61 per capita. During 1940 the debt was reduced by several more million dollars and when it is recalled that in 1932 municipal debt amounted to \$504,000,000, the reduction of this figure by more than \$125,000,000 is particularly encouraging. Municipal taxes were also reduced by \$2,100,000 during 1939 to the figure of \$114,255,000, or \$33.18 per capita. This is the lowest figure since 1928 when the total levy was \$110,811,000, or \$36.67 per capita. Employment has increased steadily during the year, but provision for the large numbers of those who are unemployable remains as a continuing problem.

During the month of January representatives of the different provinces were summoned to Ottawa to discuss the Sirois Report on Dominion-Provincial relations. The Ontario delegates emphasized what this Legislature has affirmed in several resolutions, namely: its desire to co-operate fully towards the successful prosecution of the war. My Ministers considered that the constitutional changes contemplated by the Report with the inevitable dislocation of administrative machinery and personnel would be a deterrent to the war effort, and that the issues involved might well await discussion in the calmer days of peace. As you are aware, the Conference closed without any action being taken on the Report.

In addition to the legislation already mentioned, Bills will be introduced to amend The Income Tax Act by increasing exemptions for patriotic purposes; to extend The Mortgagors' and Purchasers' Relief Act; to amend The Corporation Tax Act; Plant Diseases Act; Milk and Cream Act; Ontario Securities Act;

Division Courts Act; Game and Fisheries Act; Public Health Act; Mental Hospitals Act; Highway Traffic Act and various other statutes.

The Public Accounts for the year ending March 31st, 1940, have been issued and estimates for the ensuing year will shortly be placed before you.

In conclusion, I trust that wise and thoughtful judgment will guide your deliberations. In many countries parliaments of free people such as this no longer exist. They have been crushed by the heel of the foe with whom we are locked in mortal strife. Our victory is their only hope. The battle may be far away, but let us make no mistake, the issue will decide our way of life just as surely as if it were fought within our borders. Soon the conflict will burst with greater fury. Within her island fortress and shielded by the bastions of sea power, Britain must draw from us and our sister nations the resources of men and materials which will enable her to finish the fearful task. Our English-speaking kinsmen in the great republic to the south realize no less than we the basic things for which we fight. Their vast productive power will feed the scales of decency and freedom. From that, and from our united will to win, we can draw hope for final victory. Let us apply ourselves to the task with courage and steadfast purpose and may Divine Providence guide and sustain our efforts.

The Honourable the Lieutenant-Governor was then pleased to retire.

PRAYERS.

Mr. Speaker informed the House that he had received during the recess, as provided by The Legislative Assembly Act, Section 24 (1) and Section 32 (1) notifications of vacancies which had occurred in the membership of the House and had addressed Warrants to the Clerk of the Crown in Chancery for the issue of Writs for the election of Members to serve in the present Legislature for the following Electoral Districts:—

The Electoral District of Simcoe Centre.

The Electoral District of Ottawa East.

The Electoral District of Grey South.

*To the Speaker of the Legislative Assembly,
of the Province of Ontario.*

Honoured Sir:

I declare that I resign my seat as a Member of the Legislative Assembly of the Province of Ontario, and I do hereby so resign, and I resign as a Member of the Legislature of the Province of Ontario, such resignation of my seat and

membership to take effect on the 8th day of March, 1940, as witness my hand at the City of Toronto this 24th day of February, 1940.

Witness:

J. A. HABEL, M.P.P.

J. J. GLASS.

A. W. ROEBUCK.

Kingston, March 7th, 1940.

*To the Honourable the Speaker of the
Legislative Assembly of Ontario,
Parliament Buildings, Toronto, Ontario.*

Sir:

I hereby declare my intention of resigning my seat in the Legislative Assembly of Ontario for the Electoral District of Kingston.

And I do hereby resign the same.

And I make this declaration under my hand and seal and in the presence of the undersigned witnesses as provided by Clause (B), subsection (1) of Section 24 of The Legislative Assembly Act.

Signed and sealed on this 7th day of March, A.D. 1940.

Signed and sealed in our presence on the 6th
day of March and year above written.

E. COCKBURN.

A. E. DAY.

THOMAS ASHMORE KIDD.

*To the Honourable James H. Clark,
Speaker of the Legislative Assembly of the Province of Ontario.*

We, the undersigned Mitchell Frederick Hepburn, Member for the said Legislative Assembly for the Electoral Division of Elgin, and Harry Corwin Nixon, Member for the said Legislative Assembly for the Electoral Division of Brant, do hereby notify you that a vacancy has occurred in the representation in the said Legislative Assembly for the Electoral Division of Simcoe Centre by reason of the death of Leonard Jennett Simpson, Member elect for the said Electoral Division of Simcoe Centre.

And we the said Mitchell Frederick Hepburn and Harry Corwin Nixon, Members of the Assembly aforesaid, hereby require you to issue a new Writ for the Election of a Member to fill the said vacancy.

In witness whereof, we have hereunto set our hands and seals on this Twenty-first day of September in the year of our Lord one thousand nine hundred and forty.

Signed and sealed in the presence of

R. H. ELMHIRST.

WINIFRED E. DARKE.

M. F. HEFBURN [Seal]

H. C. NIXON [Seal]

Toronto, September 30th, 1940.

*To Major the Honourable J. H. Clark, K.C.,
Speaker of the Legislative Assembly of the Province of Ontario.*

Dear Major Clark,

I herewith tender my resignation as Member of the Legislative Assembly of Ontario for the constituency of Ottawa-East.

Yours sincerely,
PAUL LEDUC.

Witness:

HELEN MICHAUD.

HELEN FRYE.

*To the Honourable James H. Clark,
Speaker of the Legislative Assembly of the Province of Ontario.*

We, the undersigned Harry Corwin Nixon, Member for the said Legislative Assembly for the Electoral Division of Brant, and Gordon Daniel Conant, Member for the said Legislative Assembly for the Electoral Division of Ontario, do hereby notify you that a vacancy has occurred in the representation in the said Legislative Assembly for the Electoral Division of Grey South by reason of acceptance of an office under the Crown, To Wit: the office of Minister of Public Works for the Province, by Farquhar R. Oliver, Member elect for the said Electoral Division of Grey South.

And we the said Harry Corwin Nixon and Gordon Daniel Conant, Members of the Assembly aforesaid, hereby require you to issue a new writ for the Election of a Member to fill the said vacancy.

In witness whereby, we have hereunto set our hands and seals on this Twenty-third day of January in the year of Our Lord one thousand nine hundred and forty-one.

Signed and sealed in the presence of

ALEX. C. LEWIS.

H. C. NIXON [Seal]

G. D. CONANT [Seal]

*To the Honourable James H. Clark, K.C.,
Speaker of the Legislative Assembly of Ontario.*

We, the undersigned, Harry Corwin Nixon, Member of the said Legislative Assembly for the Electoral Division of Brant, and Harold James Kirby, Member of the said Legislative Assembly for the Electoral Division of Eglinton, do hereby notify you that a vacancy has occurred in the representation in the said Legislative Assembly for the Electoral Division of Cochrane South by reason of the death of Charles V. Gallagher, Member for the said Electoral Division of Cochrane South.

In witness whereof, we have hereunto set our hands and seals on this Fifteenth day of February in the year of our Lord one thousand nine hundred and forty-one.

Signed and sealed in the presence of	}	H. C. NIXON	[Seal]
ALEX. C. LEWIS.		HAROLD J. KIRBY	[Seal]

*To the Honourable James H. Clark, K.C.,
Speaker of the Legislative Assembly of Ontario.*

We, the undersigned, Harry Corwin Nixon, Member of the said Legislative Assembly for the Electoral Division of Brant, and Harold James Kirby, Member of the said Legislative Assembly for the Electoral Division of Eglinton, do hereby notify you that a vacancy has occurred in the representation in the said Legislative Assembly for the Electoral Division of Huron-Bruce by reason of the death of Charles A. Robertson, Member for the said Electoral Division of Huron-Bruce.

In witness whereof, we have hereunto set our hands and seals on this Fifteenth day of February in the year of our Lord one thousand nine hundred and forty-one.

Signed and sealed in the presence of	}	H. C. NIXON	[Seal]
ALEX. C. LEWIS.		HAROLD J. KIRBY	[Seal]

*To the Honourable James H. Clark, K.C.,
Speaker of the Legislative Assembly of Ontario.*

We, the undersigned, George A. Drew, Member of the said Legislative Assembly for the Electoral Division of Simcoe East, and Leopold Macaulay, Member of the said Legislative Assembly for the Electoral Division of York South, do hereby notify you that a vacancy has occurred in the representation in the said Legislative Assembly for the Electoral Division of High Park by reason of the death of William Alexander Baird, Member for the said Electoral Division of High Park.

In witness whereof we have hereunto set our hands and seals on this Nineteenth day of February in the year of our Lord one thousand nine hundred and forty-one.

Signed and sealed in the presence of	}	G. A. DREW	[Seal]
ALEX. C. LEWIS.	}	L. MACAULAY	[Seal]

Mr. Speaker informed the House that the Clerk had received from the Clerk of the Crown in Chancery and had laid upon the Table certificates of the following elections held since the last Session of the House:—

Electoral District of Simcoe Centre—Duncan McArthur.

Electoral District of Ottawa East—Robert Laurier.

Electoral District of Grey South—Farquhar Robert Oliver.

PROVINCE OF ONTARIO

This is to certify that in virtue of a Writ of Election, dated the Twenty-fourth day of September, A.D. 1940, issued by the Administrator of the Province of Ontario, and addressed to Earl Richardson, Esquire, Returning Officer for the Electoral District of Simcoe Centre, for the election of a Member to represent the said Electoral District of Simcoe Centre in the Legislative Assembly of this Province, in the room of Leonard Jennett Simpson, Esquire, who, since his election as representative of the said Electoral District of Simcoe Centre, has departed this life, Duncan McArthur, Esquire, has been returned as duly elected as appears by the Return of the said Writ of Election, dated the Twenty-third day of October, A.D. 1940, which is now lodged of record in my office.

C. F. BULMER,
Clerk of the Crown in Chancery.

Toronto, October 24th, 1940.

PROVINCE OF ONTARIO

This is to certify that in virtue of a Writ of Election, dated the Twenty-third day of October, A.D. 1940, issued by the Administrator of the Province of Ontario, and addressed to Joachim Sauve, Esquire, Returning Officer for the Electoral District of Ottawa East, for the election of a Member to represent the said Electoral District of Ottawa East in the Legislative Assembly of this Province, in the room of Paul Leduc, Esquire, who, since his election as representative of the said Electoral District of Ottawa East, has resigned, Robert Laurier, Esquire,

has been returned as duly elected as appears by the Return of the said Writ of Election, dated the Ninth day of December, A.D. 1940, which is now lodged of record in my office.

C. F. BULMER,
Clerk of the Crown in Chancery.

Toronto, December 11th, 1940.

PROVINCE OF ONTARIO

This is to certify that in virtue of a Writ of Election, dated the Twenty-third day of January, A.D. 1941, issued by the Honourable the Lieutenant-Governor, and addressed to John McArthur, Esquire, Returning Officer for the Electoral District of Grey South, for the election of a Member to represent the said Electoral District of Grey South in the Legislative Assembly of this Province, in the room of Farquhar R. Oliver, Esquire, who, since his election as representative of the said Electoral District of Grey South, has accepted an office of emolument under the Crown, To Wit: the office of Minister of Public Works for the Province of Ontario, by reason whereof the seat of the said Farquhar R. Oliver, Esquire, has become vacant, Farquhar R. Oliver, Esquire, has been returned as duly elected, as appears by the Return of the said Writ of Election, dated the Seventeenth day of February, A.D. 1941, which is now lodged of record in my office.

C. F. BULMER,
Clerk of the Crown in Chancery.

Toronto, February 17th, 1941.

Duncan McArthur, Esquire, Member for the Electoral District of Simcoe Centre, Robert Laurier, Esquire, Member for the Electoral District of Ottawa East, and Farquhar Robert Oliver, Esquire, Member for the Electoral District of Grey South, having taken the Oaths and signed the Roll, took their seats.

The following Bill was introduced and read the first time:—

Bill (No. 25), intituled, "An Act to amend The Legislative Assembly Act,"
Mr. Hepburn (Elgin).

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That the Speech of the Honourable the Lieutenant-Governor be taken into consideration to-morrow.

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That Select Standing Committees of this House, for the present Session, be appointed for the following purposes: 1. On Privileges and Elections; 2. On Railways; 3. On Miscellaneous Private Bills; 4. On Standing Orders; 5. On Public Accounts; 6. On Printing; 7. On Municipal Law; 8. On Legal Bills; 9. On Agriculture; 10. On Fish and Game; 11. On Labour.

Which said Committees shall severally be empowered to examine and enquire into all such matters and things as shall be referred to them by the House, and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Public Accounts of the Province of Ontario for the twelve months ending March 31st, 1940. (*Sessional Papers No. 1.*)

Ordered, That the Public Accounts of the Province be referred to the Standing Committee on Public Accounts.

The House then adjourned at 4.00 p.m.

THURSDAY, FEBRUARY 20TH, 1941

PRAYERS.

3 O'Clock P.M.

The following Petitions were severally brought up and laid upon the Table:—

By Mr. Dunbar, the Petition of the Corporation of the City of Ottawa.

By Mr. Newlands, the Petition of Harold P. Wright, Richard Dawson and George Appleton; also, the Petition of certain Lodges of the Independent Order of Oddfellows in Hamilton.

By Mr. Duncan, the Petition of the London Street Railway Company and the Corporation of the City of London.

By Mr. McEwing, the Petition of the Trustees of the Rockwood Town Hall, the Trustees of the Police Village of Rockwood and the Municipal Council of the Township of Eramosa.

By Mr. Frost, the Petition of the Corporation of the Town of Orillia.

By Mr. Cox, the Petition of the Corporation of the City of Port Arthur and the Public Utilities Commission of the City of Port Arthur.

By Mr. Baker, the Petition of the Corporation of the Township of West Gwillimbury.

By Mr. Gardhouse, the Petition of the Corporation of the Village of Swansea.

By Mr. Kennedy, the Petition of the National Steel Car Corporation, Limited, and others; also, the Petition of the National Steel Car Corporation, Limited.

By Mr. Bégin, the Petition of the Corporation of the County of Carleton.

By Mr. Blakelock, the Petition of the Board of Governors of Appleby School.

By Mr. Strachan, the Petition of the Board of Management of the Daughters of the Empire Preventorium and others; also, the Petition of the Board of Trustees of the Roman Catholic Schools for the City of Toronto; also, the Petition of the Trusts and Guarantee Company, Limited; also, the Petition of the Corporation of the City of Toronto.

By Mr. Drew, the Petition of the Rector and Churchwardens of St. George's Church, Guelph.

By Mr. Fletcher, the Petition of the Corporation of the City of Windsor.

By Mr. Cooper, the Petition of the Corporation of the Township of Teck.

On motion by Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That a Select Committee of nine members be appointed to prepare and report with all convenient dispatch lists of the members to compose the Select Standing Committees ordered by this House, such committee to be composed as follows:—

Messrs. Freeborn (Chairman), Campbell (Kent East), Carr, Glass, Henry, Kennedy, Nixon (Brant), Oliver and Strachan.

The quorum of the said Committee to consist of three Members.

The Order of the Day for the Consideration of the Speech of the Honourable the Lieutenant-Governor at the opening of the Session having been read,

Mr. Carr moved, seconded by Mr. Trottier,

That an humble Address be presented to the Honourable the Lieutenant-Governor as follows:—

*To The Honourable Albert Matthews,
Lieutenant-Governor of the Province of Ontario.*

We, His Majesty's most dutiful and loyal subjects, the Legislative Assembly of the Province of Ontario, now assembled, beg leave to thank Your Honour for the gracious speech Your Honour has addressed to us.

And a Debate having ensued, it was, on the motion of Mr. Drew,

Ordered, That the Debate be adjourned until Tuesday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Annual Report of the Ontario Historical Society for year 1939-1940. (*Sessional Papers, No. 40.*)

Also, Annual Report of the Public Service Superannuation Board, Ontario, for year ending March 31st, 1940. (*Sessional Papers, No. 36.*)

Also, Annual Report of the Niagara Parks Commission for year ending March 31st, 1940. (*Sessional Papers, No. 41.*)

Also, Report of the Board of Governors of the University of Toronto for year ending June 30th, 1940. (*Sessional Papers, No. 12.*)

Also, Order-in-Council made pursuant to The Ontario Insurance Act and Guarantee Companies' Securities Act, Department of Insurance. (*Sessional Papers, No. 38.*)

Also, Return to an Order of the House dated February 23rd, 1940, That there be laid before this House a Return showing—1. What purchases of coal were made by the Government during the fiscal year ended March 31st, 1939, indicating (a) the institutions or buildings for which coal was purchased, (b) the kinds and quantities of coal supplied by each dealer, to each institution, (c) the per ton price with respect to each purchase, (d) the total amount paid to each dealer with respect to coal supplied to each institution or building. 2. Was the coal purchased on a tender basis. 3. Were tenders advertised for, and if so, when and in what newspapers. 4. Was each dealer who so desired allowed to tender. 5. What was the total quantity of Nova Scotia coal purchased by the Government in the fiscal year ended March 31st, 1939. (*Sessional Papers, No. 39.*)

The House then adjourned at 5.40 p.m.

FRIDAY, FEBRUARY 21st, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petitions were read and received—

Of the Corporation of the City of Ottawa, praying that an Act may pass extending until the close of the war the time for expropriating certain lands for the widening of Gladstone Avenue.

Of Harold P. Wright, Richard Dawson and George Appleton, praying that an Act may pass incorporating the Petitioners and others as the Society of Cost and Industrial Accountants of Ontario.

Of the London Street Railway Company and the Corporation of the City of London, praying that an Act may pass validating a by-law of the said Corporation and certain agreements between the two parties.

Of the Trustees of the Rockwood Town Hall, the Trustees of the Police Village of Rockwood and the Municipal Council of the Township of Eramosa, praying that an Act may pass vesting the Rockwood Town Hall in the Township of Eramosa in Trust for the Police Village of Rockwood.

Of the Corporation of the Town of Orillia, praying that an Act may pass authorizing the extension of the water power developments of the said Corporation.

Of the Corporation of the City of Port Arthur and the Public Utilities Commission of the City of Port Arthur, praying that an Act may pass authorizing the establishment of a depreciation fund and the installation of an automatic telephone system by the said Public Utilities Commission.

Of the Corporation of the Township of West Gwillimbury, praying that an Act may pass confirming certain by-laws in connection with the assessment and taxation of certain lands in the Holland Marsh.

Of the Corporation of the Village of Swansea, praying that an Act may pass to compel owners of property to connect their premises with the storm sewers, to compel the installation of sanitary conveniences and for other purposes.

Of the National Steel Car Corporation, Limited, and others, praying that an Act may pass incorporating a Company to be known as Malton Water Company for the purpose of supplying water to the Company's plant and to other parties.

Of the National Steel Car Corporation, Limited, praying that an Act may pass validating certain agreements made with various municipal corporations and permitting the Company to operate a sewerage and drainage system as provided by the said agreements.

Of the Corporation of the County of Carleton, praying that an Act may pass to restrict the exemption from taxation of farm lands belonging to the University of Ottawa.

Of the Board of Governors of Appleby School, praying that an Act may pass changing the designation of "Appleby School" to "Appleby College" and to alter the method of electing the Board of Governors.

Of certain Lodges of the Independent Order of Oddfellows in Hamilton, praying that an Act may pass authorizing the investment of Lodge funds in a Company known as the I.O.O.F. Temple, Limited.

Of the Board of Management of the Daughters of the Empire Preventorium, and others, praying that an Act may pass to incorporate the Daughters of the Empire Hospital for Convalescent Children.

Of the Board of Trustees of the Roman Catholic Separate Schools for the City of Toronto, praying that an Act may pass authorizing the Petitioners and others to amalgamate any separate School Districts desirous of doing so into one School District.

Of the Rector and Churchwardens of St. George's Church, Guelph, praying that an Act may pass validating and confirming the purchase by the Petitioners of the real estate and other property of the Priory Club of Guelph.

Of the Trusts and Guarantee Company, Limited, praying that an Act may pass to confirm an agreement between the Petitioners and the Borough of the Town of Colne, England, respecting the Estate of the late Peter Birtwistle.

Of the Corporation of the City of Windsor, praying that an Act may pass to legalize certain retiring allowances being paid to employees of the Corporation, to vest in the Corporation the property of the Border Housing Company and for other purposes.

Of the Corporation of the City of Toronto, praying that an Act may pass to validate retiring allowances to certain employees, to deviate from The Assessment Act so as to permit the use of Mechanical Book-keeping methods and for other purposes.

Of the Corporation of the Township of Teck, praying that an Act may pass to permit the Township to assess the Temiskaming Telephone Co. under Sections 12 and 13 of The Assessment Act, to control the type of buildings to be used for business purposes and for other purposes.

Mr. Conant from the Select Committee appointed to enquire into the Administration of Justice presented the report of the Committee and recommended that it be printed as an appendix to the Journals of the House.

Ordered, That the Report be printed as an appendix to the Journals of the House.

Mr. Freeborn from the Select Committee appointed to strike the Select Standing Committees of the House presented its report which was read as follows, and adopted:—

Your Committee recommends that the Standing Committees of the House as listed hereunder be composed as follows:—

COMMITTEE ON STANDING ORDERS

The Honourable Mr. Hepburn, Messrs. Anderson, Arnott, Baker, Bélanger, Black, Brownridge, Campbell (Kent East), Carr, Cooper, Croll, Croome, Drew, Duckworth, Elgie, Elliott, Fairbank, Fletcher, Frost, Gardhouse, Glass, Guthrie, Habel, Henry, Houck, Kennedy, King, Lamport, Laurier, Macfie, MacGillivray, MacKay, Miller, Murray, Nixon (Brant), Nixon (Temiskaming), Oliver, Patterson, Sinclair, Strachan, Welsh—41.

The Quorum of the said Committee to consist of seven Members.

COMMITTEE ON PRIVILEGES AND ELECTIONS

The Honourable Mr. Hepburn, Messrs. Armstrong, Baker, Bélanger, Black, Brownridge, Carr, Conacher, Conant, Cooper, Croll, Croome, Cross, Dewan, Drew, Duckworth, Duncan, Elgie, Elliott, Fletcher, Freeborn, Frost, Glass, Gordon, Hagey, Heenan, Henry, Hipel, Hunter, Kennedy, King, Kirby, Laurier, Macaulay, Murphy, Murray, McArthur, McQuesten, Nixon (Brant), Nixon (Temiskaming), Oliver, Patterson, Stewart, Strachan, Welsh—45.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON RAILWAYS

The Honourable Mr. Hepburn, Messrs. Acres, Anderson, Armstrong, Arnott, Baker, Bradley, Brownridge, Campbell (Kent East), Campbell (Sault Ste. Marie), Carr, Challies, Conacher, Cooper, Cox, Croome, Dewan, Dickson, Doucett, Duckworth, Dunbar, Duncan, Elgie, Glass, Gordon, Habel, Hagey, Haines, Heenan, Henry, Hepburn (Prince Edward-Lennox), Hipel, Hunter, Kelly, Kennedy, Kirby, Macaulay, Macfie, Mercer, Murphy, Murray, McEwing, McQuesten, Nixon (Temiskaming), Oliver, Patterson, Reynolds, Sinclair, Smith, Spence, Strachan, Summerville, Trottier, Welsh—54.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON PRIVATE BILLS

The Honourable Mr. Hepburn, Messrs. Acres, Anderson, Armstrong, Arnott, Baker, Ballantyne, Bégin, Bélanger, Bethune, Black, Blakelock, Brownridge, Campbell (Kent East), Carr, Challies, Conacher, Conant, Cooper, Cox, Croll, Croome, Cross, Dewan, Dickson, Doucett, Downer, Drew, Duckworth, Dunbar, Duncan, Elgie, Elliott, Fairbank, Fletcher, Freeborn, Frost, Gardhouse, Glass, Hagey, Haines, Henry, Hepburn (Prince Edward-Lennox), Hipel, Houck, Hunter, Kelly, Kennedy, King, Kirby, Lamport, Laurier, Macaulay, Macfie, MacKay, Miller, Murphy, Murray, McArthur, McEwing, McQuesten, Newlands, Nixon (Brant), Nixon (Temiskaming), Oliver, Patterson, Reynolds, Sinclair, Smith, Stewart, Strachan, Summerville, Trottier, Welsh—74.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON PUBLIC ACCOUNTS

The Honourable Mr. Hepburn, Messrs. Acres, Anderson, Armstrong, Arnott, Baker, Ballantyne, Bélanger, Black, Blakelock, Bradley, Brownridge, Campbell (Kent East), Carr, Challies, Conant, Cooper, Cox, Cross, Dewan, Dickson, Doucett, Downer, Drew, Duckworth, Dunbar, Duncan, Elgie, Elliott, Fairbank, Fletcher, Freeborn, Frost, Gardhouse, Glass, Gordon, Habel, Hagey, Heenan, Henry, Hipel, Houck, Kelly, Kennedy, King, Kirby, Lamport, Laurier, Macaulay, Macfie, MacGillivray, MacKay, Mercer, Miller, Murphy, Murray, McArthur, McEwing, McQuesten, Newlands, Nixon (Brant), Nixon (Temiskaming), Oliver, Patterson, Reynolds, Smith, Stewart, Strachan, Welsh.—69.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON PRINTING

The Honourable Mr. Hepburn, Messrs. Acres, Bégin, Bélanger, Campbell (Kent East), Challies, Cholette, Conacher, Cooper, Croome, Downer, Dunbar, Duncan, Fairbank, Guthrie, Habel, Henry, Hunter, Kennedy, King, Kirby, Laurier, Murphy, McArthur, McEwing, Nixon (Brant), Nixon (Temiskaming), Strachan—28.

The Quorum of the said Committee to consist of five Members.

COMMITTEE ON MUNICIPAL LAW

The Honourable Mr. Hepburn, Messrs. Anderson, Arnott, Ballantyne, Bégin, Bethune, Black, Blakelock, Bradley, Campbell (Kent East), Carr, Challies, Cholette, Cooper, Cox, Croll, Cross, Dewan, Dickson, Doucett, Drew, Duckworth, Elgie, Elliott, Fletcher, Freeborn, Gardhouse, Glass, Gordon, Habel, Hagey, Haines, Henry, Hepburn (Prince Edward-Lennox), Hipel, Houck, Kelly, Kennedy, King, Kirby, Lamport, Macaulay, Macfie, MacGillivray, MacKay, Mercer, Miller, Murphy, Murray, McEwing, McQuesten, Newlands, Oliver, Sinclair, Smith, Spence, Stewart Strachan, Summerville, Trottier—60.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON LEGAL BILLS

The Honourable Mr. Hepburn, Messrs. Anderson, Arnott, Bélanger, Bethune, Bradley, Conant, Cooper, Cox, Croll, Cross, Drew, Elgie, Elliott, Fletcher, Frost, Gordon, Glass, Hagey, Henry, Kennedy, Kirby, Laurier, Macaulay, Murphy, McQuesten, Newlands, Stewart, Strachan—29.

The Quorum of the said Committee to consist of five Members.

COMMITTEE ON AGRICULTURE

The Honourable Mr. Hepburn, Messrs. Acres, Armstrong, Baker, Ballantyne, Bégin, Bethune, Black, Blakelock, Bradley, Brownridge, Campbell (Kent East), Campbell (Sault Ste. Marie), Carr, Challies, Cholette, Croome, Dewan, Dickson, Doucett, Downer, Drew, Duckworth, Duncan, Fletcher, Freeborn, Frost, Gardhouse,

Guthrie, Habel, Heenan, Henry, Hepburn (Prince Edward-Lennox), Houck, Hunter, Kennedy, King, Macfie, MacGillivray, Mercer, Miller, Murphy, Murray, McEwing, Nixon (Brant), Nixon (Temiskaming), Oliver, Patterson, Reynolds, Sinclair, Spence, Strachan, Trottier, Welsh—54.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON FISH AND GAME

The Honourable Mr. Hepburn, Messrs. Acres, Armstrong, Baker, Ballantyne, Bélanger, Black, Blakelock, Bradley, Brownridge, Campbell (Kent East), Campbell (Sault Ste. Marie), Carr, Challies, Cholette, Conacher, Cooper, Cox, Croome, Dewan, Dickson, Doucett, Drew, Duncan, Elgie, Elliott, Fairbank, Fletcher, Freeborn, Gardhouse, Gordon, Guthrie, Habel, Haines, Heenan, Henry, Hepburn (Prince Edward-Lennox), Hunter, Kelly, Kennedy, Kirby, Lamport, Macfie, MacGillivray, Mercer, Miller, Murphy, Murray, McEwing, Newlands, Nixon (Brant), Nixon (Temiskaming), Oliver, Patterson, Reynolds, Sinclair, Smith, Spence, Strachan, Trottier, Welsh—61.

The Quorum of the said Committee to consist of nine Members.

COMMITTEE ON LABOUR

The Honourable Mr. Hepburn, Messrs. Anderson, Arnott, Blakelock, Challies, Cholette, Conacher, Cross, Dickson, Drew, Duckworth, Dunbar, Elliott, Fairbank, Frost, Gardhouse, Glass, Gordon, Haines, Hagey, Heenan, Hipel, Kelly, Kennedy, King, Kirby, Macaulay, MacKay, McArthur, Newlands, Oliver, Smith, Spence, Stewart, Strachan, Trottier—36.

The Quorum of the said Committee to consist of seven Members.

On motion by Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That Mr. Patterson be appointed as Chairman of the Committee of the Whole House for the present Session.

On motion by Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That a Select Committee be appointed to act with Mr. Speaker in the control and management of the Library, to be composed as follows:—

Messrs. Armstrong (Chairman), Arnott, Bélanger, Black, Duncan, Fairbank, Henry, King and Laurier.

On motion by Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That a Select Committee be appointed to direct the expenditure of any sum set apart in the estimates for art purposes, to be composed as follows:—

Messrs. Hunter (Chairman), Bélanger, Black, Kelly, Kennedy, McQuesten, Murray, Oliver and Patterson.

The following Bills were severally introduced and read the first time:—

Bill (No. 26), intituled, "An Act to amend The Sheriffs Act." *Mr. Conant*

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 27), intituled, "An Act to amend The Administration of Justice Expenses Act." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 28), intituled, "An Act to amend The County Judges Act." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 29), intituled, "The Mortgagors' and Purchasers' Relief Act, 1941." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 30), intituled, "An Act to amend The Surrogate Courts Act." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 31), intituled, "An Act to amend The Registry Act." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 32), intituled, "An Act to amend The Devolution of Estates Act." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 33), intituled, "An Act to amend The Public Health Act." *Mr. Kirby*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 34), intituled, "An Act to amend The Private Hospitals Act." *Mr. Kirby*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 35), intituled, "An Act to amend The Plant Diseases Act." *Mr. Dewan*.

Ordered, That the Bill be read a second time on Monday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Annual Report of the Civil Service Commissioner of Ontario for year ending March 31st, 1940. (*Sessional Papers, No. 37.*)

The House then adjourned at 3.30 p.m.

MONDAY, FEBRUARY 24TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bill was introduced and read the first time:—

Bill (No. 36), intituled, "An Act to amend The Wolf Bounty Act." *Mr. Nixon* (Brant).

Ordered, That the Bill be read a second time to-morrow.

The following Bills were severally read the second time:—

Bill (No. 26), An Act to amend The Sheriffs Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 27), An Act to amend The Administration of Justice Expenses Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 28), An Act to amend The County Judges Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 29), The Mortgagors' and Purchasers' Relief Act, 1941.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 30), An Act to amend The Surrogate Courts Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 31, An Act to amend The Registry Act.

Referred to a Committee of the Whole House to-morrow.

The House then adjourned at 3.30 p.m.

TUESDAY, FEBRUARY 25TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petition was brought up and laid upon the Table:—

By Mr. Cooper, the Petition of the Corporation of the City of Sudbury.

Mr. Glass, from the Standing Committee on Standing Orders, presented their First Report which was read as follows and adopted:—

Your Standing Committee on Standing Orders has carefully examined the following petitions and finds the notices as published in each case sufficient.

Of the Corporation of the County of Carleton, praying that an Act may pass to restrict the exemption from taxation of farm lands belonging to the University of Ottawa.

Of the Board of Governors of Appleby School, praying that an Act may pass changing the designation of "Appleby School" to "Appleby College" and to alter the method of electing the Board of Governors.

Of certain Lodges of the Independent Order of Oddfellows in Hamilton, praying that an Act may pass authorizing the investment of Lodge funds in a Company known as the I.O.O.F. Temple, Limited.

Of Harold P. Wright, Richard Dawson and George Appleton, praying that an Act may pass incorporating the Petitioners and others as the Society of Cost and Industrial Accountants of Ontario.

Of the Corporation of the Township of West Gwillimbury, praying that an Act may pass confirming certain by-laws in connection with the assessment and taxation of certain lands in Holland Marsh.

Of the Corporation of the Village of Swansea, praying that an Act may pass to compel owners of property to connect their premises with the storm sewers, to compel the installation of sanitary conveniences and for other purposes.

Of the Corporation of the City of Windsor, praying that an Act may pass to legalize certain retiring allowances being paid to employees of the Corporation, to vest in the Corporation the property of the Border Housing Company and for other purposes.

Of the Corporation of the City of Toronto, praying that an Act may pass to validate retiring allowances to certain employees, to deviate from The Assessment Act so as to permit the use of mechanical book-keeping methods and for other purposes.

Of the Corporation of the City of Ottawa, praying that an Act may pass extending until after the close of the war the time for expropriating certain lands for the widening of Gladstone Avenue.

Of the Trusts and Guarantee Corporation, praying that an Act may pass to confirm an agreement between the Petitioners and the Borough of Colne, England, respecting the estate of the late Peter Birtwistle.

The following Bills were severally introduced and read the first time:—

Bill (No. 37), intituled, "An Act to amend The Judicature Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 38), intituled, "An Act to amend The General Sessions Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 39), intituled, "An Act to amend The Collection Agencies Act, 1939." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 2), intituled, "An Act to incorporate the Society of Industrial and Cost Accountants of Ontario." *Mr. Newlands.*

Referred to the Committee on Private Bills.

Bill (No. 12), intituled, "An Act respecting the County of Carleton and the University of Ottawa." *Mr. Bégin.*

Referred to the Committee on Private Bills.

Bill (No. 13), intituled, "An Act respecting Appleby School." *Mr. Blakelock.*

Referred to the Committee on Private Bills.

Bill (No. 1), intituled, "An Act respecting the City of Ottawa." *Mr. Dunbar.*

Referred to the Committee on Private Bills.

Bill (No. 7), intituled, "An Act respecting the Township of West Gwillimbury." *Mr. Baker.*

Referred to the Committee on Private Bills.

Bill (No. 14), intituled, "An Act respecting Certain Lodges of the Grand Lodge of Ontario, Independent Order of Oddfellows." *Mr. Newlands.*

Referred to the Committee on Private Bills.

Bill (No. 18), intituled, "An Act respecting a Trust Settlement of the late Peter Birtwistle and the Corporation of the Borough of Colne (England)." *Mr. Strachan.*

The Order of the Day for resuming the Adjourned Debate on the Motion for consideration of the Speech of The Honourable the Lieutenant-Governor at the opening of the Session, having been read,

The Debate was resumed and, after some time,

Mr. Drew moved, seconded by Mr. Kennedy,

THAT the motion for an address in reply to the Speech from His Honour the Lieutenant-Governor be amended by adding thereto the following words:

"And the members of this Legislature are of the opinion that the Government of Ontario should convey a message to His Majesty's Government of the Dominion of Canada expressing the desire that a Conference of representatives of the Dominion and all provincial governments be convened as soon as possible for the following purposes:

"A. To adopt such measures as may be necessary to assure our greatest possible war effort by inter-governmental co-operation.

"B. To adopt such measures as may be necessary to meet the emergencies created by the war.

"C. To adopt such measures as may be necessary to assure adequate prices for our agricultural products.

"D. To adopt such measures as may be necessary to protect the established rights of Labour.

"E. To devise plans for the rehabilitation of the members of our armed forces and for the re-employment of civilians who will be thrown out of work by post-war industrial readjustments.

“And to consider such other questions relating to the welfare and security of our people as may be deemed advisable.”

The Debate continued and, after some time, it was on the motion of Mr. Strachan,

Ordered, That the Debate be adjourned until Thursday next.

The House then adjourned at 5.10 p.m.

WEDNESDAY, FEBRUARY 26TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petition was read and received:—

Of the Corporation of the City of Sudbury, praying that an Act may pass validating a by-law of the Petitioners to impose a charge on certain citizens for the use of water from standpipes in the said City.

The following Bill was introduced and read the first time:—

Bill (No. 40), intituled, “An Act to amend The Partnership Registration Act.” *Mr. Conant*.

Ordered, That the Bill be read a second time to-morrow.

The following Bills were severally read the second time:—

Bill (No. 25), An Act to amend The Legislative Assembly Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 33), An Act to amend The Public Health Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 34), An Act to amend The Private Hospitals Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 35), An Act to amend The Plant Diseases Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 36), An Act to amend The Wolf Bounty Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 38), An Act to amend The General Sessions Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 39), An Act to amend The Collection Agencies Act, 1939.

Referred to a Committee of the Whole House to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Minister of Lands and Forests of the Province of Ontario for year ending March 31st, 1940. (*Sessional Papers No. 3.*)

Also, Statement of the Legislative Grants apportioned to the Rural Public Schools and all Separate Schools for the year 1940, Department of Education. (*Sessional Papers No. 42.*)

The House then adjourned at 3.25 p.m.

THURSDAY, FEBRUARY 27TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The Order of the Day for resuming the Adjourned Debate on the Amendment to the Motion for consideration of the Speech of The Honourable the Lieutenant-Governor at the opening of the Session, having been read,

The Debate was resumed and, after some time, it was on the motion of Mr. Freeborn,

Ordered, That the Debate be adjourned until Tuesday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Supplementary Report of The Ontario Department of Public Welfare in connection with the programme to place British children in Ontario homes for the duration of the War. (*Sessional Papers No. 43.*)

The House then adjourned at 5.05 p.m.

FRIDAY, FEBRUARY 28TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bills were severally introduced and read the first time:—

Bill (No. 41), intituled, "An Act to amend The Magistrate's Act." *Mr. Strachan.*

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 42), intituled, "An Act to amend The Real Estate Brokers Act." *Mr. Conant.*

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 43), intituled, "An Act to amend The Conditional Sales Act." *Mr. Conant.*

Ordered, That the Bill be read a second time on Monday next.

Mr. Duckworth asked the following Question (No. 1):—

1. What payments have been made to Dr. W. H. Avery of the City of Toronto by the Government since the present administration took offices and in relation to what services.

The Honourable the Minister of Health replied as follows:—

1. \$2,421.40—Coroner—1937, 1938, 1939 and 1940; \$3,850.00—Member of Royal Commission re Mental Hospitals, 1938-1939; \$4,250.00—Medical Consultant, Department of Health, October 1st, 1939-February 28th, 1941; \$455.36—Travelling Expenses.

Mr. Reynolds asked the following Question (No. 10):—

1. During the calendar year 1940, how many tons of lignite have been mined by the Government in the Northern Ontario fields. 2. To what extent has Northern Ontario lignite been used commercially by the Temiskaming and Northern Ontario Railway or otherwise. 3. How many tons of Northern Ontario lignite have been blocked out and what is the basis of such estimate. 4. Has the Government determined the possibility of briquetting or otherwise treating Northern Ontario lignite with a view to extending its general use as a commercial fuel. 5. What amount has the Government spent during the calendar year 1940 in generally exploring, developing and mining the Northern Ontario lignite fuel beds.

The Honourable the Minister of Mines replied as follows:—

1. 200 tons for testing purposes only. 2. Only in an experimental way in the making of certain burning tests. 3. Two areas totalling 200 acres show a definite commercial tonnage of 7,000,000 tons. Other potential areas are known to exist and drilling on these areas is progressing. 4. No recent tests have been made in briquetting. Tests have, however, been made in steam drying with very satisfactory results. 5. \$23,418.58.

Mr. Black asked the following Question (No. 12):—

1. What is the rate of Crown Dues as to spruce pulpwood cut from Crown lands. 2. Is any reduction in Crown Dues in effect at the present time and if so, when was it made effective, giving particulars. 3. What is the present rate of Crown Dues on other classes of pulpwood. 4. Are any special reductions in effect at the present time in relation to pulpwood other than spruce and if so, state particulars.

The Honourable the Minister of Lands and Forests replied as follows:—

1. \$1.40 per cord. 2. Yes. By Order-in-Council dated May 10th, 1940, Spruce Pulpwood cut from Crown Lands up to April 1st, 1941, is subject to a reduction of 40 cents from the regular Crown Dues of \$1.40 per cord. Spruce Pulpwood cut from Crown Lands and authorized to be exported is not subject to any reduction from the regular Crown Dues of \$1.40 per cord. 3. Balsam Pulpwood, 70c. per cord; other Pulpwood, 40c. per cord. 4. No.

Mr. Duckworth asked the following Question (No. 35):—

1. What is the present salary of Mr. Chester S. Walters. 2. Are Mr. Walters' titles and duties still as the Legislative Assembly was informed on March 6th, 1936 (Question No. 78), and if not, specify changes. 3. What amounts have been paid Mr. Chester S. Walters by way of travelling or other expenses: (a) In the fiscal year ended March 31st, 1940; (b) In the current fiscal year.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

1. \$10,000.00 per annum for 2 positions—Controller of Finances and Deputy Provincial Treasurer. 2. No. He relinquished the position of Deputy Minister of Public Works on July 1st, 1937. 3. (a) \$1,014.00—Expenses to Australia and return; (b) None.

The following Bills were severally read the second time:—

Bill (No. 32), An Act to amend The Devolution of Estates Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 37), An Act to amend The Judicature Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 40), An Act to amend The Partnership Registration Act.

Referred to a Committee of the Whole House on Monday next.

The House resolved itself into a Committee to consider Bill (No. 26), An Act to amend The Sheriffs Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 27), An Act to amend The Administration of Justice Expenses Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 28), An Act to amend The County Judges Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 29), The Mortgageors' and Purchasers' Relief Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 30), An Act to amend The Surrogate Courts Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 31), An Act to amend The Registry Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 25), An Act to amend The Legislative Assembly Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 33), An Act to amend The Public Health Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 34), An Act to amend The Private Hospitals Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 35), An Act to amend The Plant Diseases Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 36), An Act to amend The Wolf Bounty Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 38), An Act to amend The General Sessions Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 39), An Act to amend The Collection Agencies Act, 1939, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Department of Labour of the Province of Ontario for year ending March 31st, 1940. (*Sessional Papers No. 10.*)

The House then adjourned at 4.15 p.m.

MONDAY, MARCH 3RD, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bills were severally introduced and read the first time:—

Bill (No. 44), intituled, "An Act to amend The Costs of Distress Act." *Mr. Conant.*

Ordered, That the Bill be read a second time on Wednesday next.

Bill (No. 45), intituled, "An Act respecting Bailiffs." *Mr. Conant.*

Ordered, That the Bill be read a second time on Wednesday next.

Bill (No. 46), intituled, "An Act to amend The Companies Act." *Mr. Nixon (Brant).*

Ordered, That the Bill be read a second time on Wednesday next.

Mr. Summerville asked the following Question (No. 3):—

1. Who is the owner of the Royal Cecil Hotel in Toronto. 2. What is the name of the Authority holder. 3. When was the Authority first issued. 4. Has the Authority at any time been suspended and if so when, for what periods and why.

The Honourable the Prime Minister replied as follows:—

1, 2 and 3. A Standard Hotel License was issued to James Franceschini in 1932. In July, 1934, an authority in connection with these premises was issued to the Dufferin Construction Co., Limited, and continued in this name since. Since July, 1940, these premises have been operated under the control and supervision of Price, Waterhouse and Co., Chartered Accountants, who are the local representatives of the Custodian of Enemy Property. 4. No.

Mr. Murphy asked the following Question (No. 31):—

1. What was the total number of Liquor Control Board stores when the present Government took office. 2. Since the present Government took office how many stores have been opened by the Liquor Control Board, specifying: (a) Location of store; (b) Date of opening in each case. 3. Since the present Government took office how many stores have been closed by the Liquor Control Board, specifying: (a) Location; (b) Date of closing; (c) Reason for closing. 4. How many Liquor Control Board stores were in operation on December 31st, 1940.

The Honourable the Prime Minister replied as follows:—

1. 124. 2. 6 Stores opened as follows: Tilbury, May 29th, 1935; Morrisburg, June 8th, 1935; South Porcupine, Feb. 15th, 1936; Collingwood, June 28th, 1938; Geraldton, July 21st, 1938; Bracebridge, June 29th, 1939. 3. 1 Store closed, namely: (a) 334 London Street, Windsor; (b) January 18th, 1936; (c) It was found that satisfactory service to the public could be given in Windsor with four stores in operation instead of five. 4. 129.

Mr. Murphy asked the following Question (No. 32):—

1. How many persons are employed as censors in the stores operated by the Liquor Control Board of Ontario. 2. What is their average salary.

The Honourable the Prime Minister replied as follows:—

1. There is no position in the service of the Liquor Control Board which is classed as that of "Censor". It is presumed that information is desired with respect to permit endorsers and issuers. In 45 stores, 62 employees are engaged in endorsing and issuing permits. In the remaining 84 stores, this work is done by employees who spend the greater part of their time on other store work. 2. \$29.00 per week.

Mr. Murphy asked the following Question (No. 33):—

1. What was the total amount paid by the Department of Game and Fisheries to any other Department of the Government in relation to enforcement of Game and Fish laws between April 1st, 1937, and March 31st, 1940, and from April 1st, 1940, to December 31st, 1940, indicating the amounts paid to the respective Departments.

The Honourable the Provincial Secretary replied as follows:—

1.	Apr. 1st, 1937, to Mar. 31st, 1940	April 1st, 1940, to Dec. 31st, 1940
Ontario Provincial Police.....	\$5,538.41	\$804.16
Ontario Provincial Air Service.....	748.00	65.00
	<hr/> \$6,286.41	<hr/> \$869.16

The following Bills were read the third time and were passed:—

Bill (No. 26), An Act to amend The Sheriffs Act.

Bill (No. 27), An Act to amend The Administration of Justice Expenses Act.

Bill (No. 28), An Act to amend The County Judges Act.

Bill (No. 29), The Mortgagors' and Purchasers' Relief Act, 1941.

Bill (No. 30), An Act to amend The Surrogate Courts Act.

Bill (No. 31), An Act to amend The Registry Act.

Bill (No. 25), An Act to amend The Legislative Assembly Act.

Bill (No. 33), An Act to amend The Public Health Act.

Bill (No. 34), An Act to amend The Private Hospitals Act.

Bill (No. 35), An Act to amend The Plant Diseases Act.

Bill (No. 36), An Act to amend The Wolf Bounty Act.

Bill (No. 38), An Act to amend The General Sessions Act.

Bill (No. 39), An Act to amend The Collection Agencies Act, 1939.

The following Bills were severally read the second time:—

Bill (No. 41), An Act to amend The Magistrates Act.

Referred to the Committee on Legal Bills.

Bill (No. 42), An Act to amend The Real Estate Brokers Act.

Referred to a Committee of the Whole House on Wednesday next.

Bill (No. 43), An Act to amend The Conditional Sales Act.

Referred to a Committee of the Whole House on Wednesday next.

On the motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That as a mark of respect to the memory of the late Sir Frederick Banting, and as an expression of the realization by this Legislative Assembly of Ontario of the great loss sustained by this, his native province, and by Canada, through his untimely and tragic death, when this House adjourns to-day it do stand adjourned until Wednesday next, the 5th instant.

The House then adjourned at 4.25 p.m.

WEDNESDAY, MARCH 5TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petitions were severally brought up and laid upon the Table:—

By Mr. Habel, the Petition of the Corporation of the Town of Timmins.

By Mr. Smith, the Petition of the Corporation of the County of Waterloo.

Mr. Elliott, from the Standing Committee on Private Bills, presented their First Report which was read as follows and adopted:—

Your Committee beg to report the following Bills without amendment:—

Bill (No. 1), An Act respecting the City of Ottawa.

Bill (No. 2), An Act to incorporate the Society of Industrial and Cost Accountants of Ontario.

Bill (No. 7), An Act respecting the Township of West Gwillimbury.

Bill (No. 13), An Act respecting Appleby School.

Your Committee beg to report the following Bill with one amendment:—

Bill (No. 12), An Act respecting the County of Carleton and the University of Ottawa.

Mr. Glass, from the Standing Committee on Standing Orders, presented their Second Report which was read as follows and adopted:—

Your Standing Committee on Standing Orders has carefully examined the following Petitions and finds the notices as published in each case sufficient:—

Of the London Street Railway Company and the Corporation of the City of London, praying that an Act may pass validating a by-law of the said Corporation and certain agreements between the two parties.

Of the National Steel Car Corporation Limited and others, praying that an Act may pass incorporating a Company to be known as the Malton Water Company for the purpose of supplying water to the Company's plant and to other parties.

Of the National Steel Car Corporation, Limited, praying that an Act may pass validating certain agreements made with various municipal corporations and

permitting the Company to operate a sewerage and drainage system as provided by the said agreements.

Of the Rector and Churchwardens of St. George's Church, Guelph, praying that an Act may pass validating and confirming the purchase by the Petitioners of the real estate and other property of the Priory Club of Guelph.

Of the Board of Trustees of the Roman Catholic Separate Schools for the City of Toronto, praying that an Act may pass authorizing the Petitioners and others to amalgamate any Separate School Districts desirous of doing so into one School District.

Of the Corporation of the City of Port Arthur and the Public Utilities Commission of the City of Port Arthur, praying that an Act may pass authorizing the establishment of a depreciation fund and the installation of an automatic telephone system by the said Public Utilities Commission.

Of the Board of Management of the Daughters of the Empire Preventorium praying that an Act may pass to incorporate the Daughters of the Empire Hospital for Convalescent Children.

Of the Trustees of the Rockwood Town Hall, the Trustees of the Police Village of Rockwood and the Municipal Council of the Township of Eramosa, praying that an Act may pass vesting the Rockwood Town Hall in the Township of Eramosa in trust for the Police Village of Rockwood.

Of the Corporation of the Town of Orillia, praying that an Act may pass authorizing the extension of the water power development of the said Corporation.

The following Bills were severally introduced and read the first time:—

Bill (No. 3), intituled, "An Act respecting the London Street Railway Company and the Corporation of the City of London." *Mr. Duncan.*

Referred to the Committee on Private Bills.

Bill (No. 4), intituled, "An Act respecting the Rockwood Town Hall." *Mr. McEwing.*

Referred to the Committee on Private Bills.

Bill (No. 5), intituled, "An Act respecting the Town of Orillia." *Mr. Frost.*

Referred to the Committee on Private Bills.

Bill (No. 6), intituled, "An Act respecting the City of Port Arthur and the Public Utilities Commission of Port Arthur." *Mr. Cox.*

Referred to the Committee on Private Bills.

Bill (No. 15), intituled, "An Act to incorporate the Daughters of the Empire Hospital for Convalescent Children." *Mr. Strachan.*

Referred to the Committee on Private Bills.

Bill (No. 8), intituled, "An Act respecting the Village of Swansea." *Mr. Gardhouse.*

Referred to the Committee on Private Bills.

Bill (No. 19), intituled, "An Act respecting the City of Windsor." *Mr. Fletcher.*

Referred to the Committee on Private Bills.

Bill (No. 47), intituled, "An Act to amend The Summary Convictions Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 48), intituled, "An Act to Confirm Tax Sales." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 49), intituled, "An Act respecting Business Brokers." *Mr. Conant.*

Ordered, That the Bill be read the second time to-morrow.

Mr. Challies asked the following Question (No. 4):—

1. What amounts have been spent for maintenance on the Long Lac diversion since the works have been put into operation for the driving of pulpwood by: (a) The Government of the Province of Ontario; (b) The Hydro-Electric Power Commission of Ontario. 2. Of the amounts spent for maintenance, what amounts have been repaid by the Pulpwood Supply Company, Limited, giving date and amount of each payment. 3. What amounts are still due the Government by the Pulpwood Supply Company, Limited, with respect to maintenance charges on the Long Lac diversion. 4. Are any persons employed in operation of sluices or other mechanisms in connection with dams or other works connected with the Long Lac diversion by the Government or by the Hydro-Electric Power Commission of Ontario and if so state: (a) Names; (b) Date appointed; (c) By whom paid; (d) Rate of remuneration; (e) Whether permanent, temporary or seasonal employees.

The Honourable the Minister of Lands and Forests replied as follows:—

1. (a) \$115.31; (b) \$198.05. 2. \$198.05—Paid to Hydro-Electric Power Commission of Ontario, June 12th, 1940. 3. Nil. 4. (a) H. A. Johnson and H. Hart, by the Province; (b) H. A. Johnson, Oct. 26th, 1938, H. Hart, Aug. 9th, 1939; (c) Both by Province. (Half Johnson's wages charged back to Pulp-

wood Supply Co.); (d) H. A. Johnson, \$3.00 per day, excluding Sundays; H. Hart, \$2.75 per day, including Sundays; (e) Johnson—full-time temporary employee; Hart—part-time temporary employee. (Hart is gauge reader and watchman during winter months, and during summer months does this work incidental to fire-ranging.)

Mr. Kennedy asked the following Question (No. 7):—

1. What is the acreage of land acquired in connection with the Ontario Hospital at Brampton. 2. For each of the fiscal years ending March 31st, 1939, and March 31st, 1940, and for the period April 1st, 1940, to January 31st, 1941, what amounts were expended by the Government on ordinary account in relation to the Ontario Hospital at Brampton. 3. Of the amounts mentioned in (2) what amounts in each period mentioned were in relation to farm operation. 4. Who are the employees at the Ontario Hospital at Brampton, specifying: (a) Name; (b) Title and duties; (c) Rates of remuneration.

The Honourable the Minister of Health replied as follows:—

1. 300 acres.

2. (a) Ordinary accounts for fiscal year ending March 31st, 1939—

Farm Expenses.....	\$1,278.55
Salaries.....	150.00
	—————\$1,428.55

(b) Ordinary accounts for fiscal year ending March 31st, 1940—

Supplies and Repairs.....	\$5,660.49
Salaries.....	162.50
	—————\$5,822.99

(c) Ordinary accounts April 1st, 1940, to January 31st, 1941—

Supplies and Repairs.....	\$2,979.72
Salaries.....	1,165.14
Public Works Expenditure.....	275.73
	—————\$4,420.69

3. Total amounts for each fiscal year were charged to farm operation, except \$275.73 spent by Public Works Department.

4. Charles E. McLean, Farm Hand, Group 2, duties—Farm Hand and Watchman—\$900. Joseph B. Strangways, Farm Hand, Group 2, duties—Farm Hand and Watchman—\$825.

Mr. Spence asked the following Question (No. 15):—

1. What was the total amount spent up to December 31st, 1940, on the Ogoki Diversion project by: (a) The Hydro-Electric Power Commission of Ontario; (b) The Government of the Province of Ontario. 2. What is the estimated cost of finishing the project. 3. What contractors were employed on the work and what amount was paid to each and by whom. 4. Was any of the work done by day labour; if so what amount was spent in this connection and by whom. 5. Is

any work being done on the project at the present time and if so, give particulars.
6. Does any benefit enure to the Province by reason of the work done to date, and, if so, give particulars.

The Honourable the Prime Minister replied as follows:—

1. (a) \$167,912.49; (b) Nil. 2. \$5,072,373.49. 3. Crawley & McCracken Co., Ltd. (boarding camps), \$11,640.80 by the Hydro-Electric Power Commission of Ontario. Starrat Airways & Transportation Co., Ltd. (freight transportation). No payments made up to December 31st, 1940. 4. All construction done by day labour. \$9,348.90 paid by Hydro-Electric Power Commission of Ontario. 5. Work is proceeding on transportation of materials and equipment and the erection of camps. 6. The Province benefits by the use of an additional 5,000 c.f.s. of water at Niagara, from which the Hydro-Electric Power Commission of Ontario generates additional power, and for which the Province of Ontario receives increased water rentals.

Mr. Challies asked the following Question (No. 16):—

1. What amounts have been paid (1) by private companies, (2) Hydro-Electric Power Companies to the Government of Ontario in the form of water rentals for the years 1936-1940 inclusive.

The Honourable the Prime Minister replied as follows:—

1. 1936.....	\$273,974.82
1937.....	237,753.57
1938.....	256,762.11
1939.....	249,656.54
1940.....	240,116.46
2. 1936.....	\$119,044.58
1937.....	139,659.23
1938.....	171,111.39
1939.....	156,362.63
1940.....	162,412.98

In addition to the above, the following amounts for rentals covering the Queenston Power Plant, Electrical Development Plant and the Ontario Power Co. were paid to the Niagara Falls Park Commission:

1936.....	\$461,708.12
1937.....	459,744.45
1938.....	419,576.82
1939.....	427,196.54
1940.....	456,610.02

Mr. Challies asked the following Question (No. 17):—

1. What total amounts have been paid in the form of or in lieu of taxes by the Hydro-Electric Power Commission for plants, etc., on the Niagara River to any Municipality for the years 1936-1940 inclusive.

The Honourable the Prime Minister replied as follows:—

CHIPPAWA VILLAGE TAXES—

1936.....	\$ 863.99
1937.....	842.12
1938.....	858.59
1939.....	858.43
1940.....	824.48
	<hr/> \$ 4,247.61

GRANTHAM TOWNSHIP TAXES—

1936 Ordinary Taxes.....	\$4,497.84
1936 School Taxes.....	3,209.66
Adjustment of School Taxes for Years 1933 to 1935 inclusive paid during year 1936.....	7,825.28
	<hr/> \$15,532.78
1937.....	14,101.88
1938.....	14,000.00
1939.....	14,162.04
1940.....	14,086.12
	<hr/> \$ 71,882.82

CITY OF NIAGARA FALLS TAXES—

1936.....	\$50,000.00
1937.....	78,070.35
1938.....	77,779.67
1939.....	77,653.11
1940.....	77,545.95
	<hr/> \$361,049.08

NIAGARA TOWNSHIP TAXES—

1936.....	\$ 402.50
1937.....	414.43
1938.....	372.78
1939.....	355.32
1940.....	338.46
	<hr/> \$ 1,883.49

STAMFORD TOWNSHIP TAXES—

1936.....	\$45,000.00
1937.....	75,000.00
1938.....	75,000.00
1939.....	75,000.00
1940.....	75,000.00
	<hr/> \$345,000.00

WILLOUGHBY TOWNSHIP TAXES—

1936.....	\$ 5.15
1937.....	5.04
1938.....	5.04
1939.....	5.06
1940.....	4.74
	<hr/> \$ 25.03

Taxes paid by H.E.P.C. to Municipalities on Niagara River,
1936 to 1940 inclusive.....\$784,088.03

Mr. Challies asked the following Question (No. 18):—

1. What system or systems secured power from the Chats Falls Plant during the Hydro year 1939-40, and what was the 20-minute peak in horse-power per month in each case. 2. What system or systems were charged for the carrying charges of the frequency changer at the Chats Falls plant and what was the yearly charge and how allocated.

The Honourable the Prime Minister replied as follows:—

1. Niagara 25 cycle system and Eastern Ontario System.

20-MINUTE PEAKS DELIVERED

	Niagara 25 cycle System	Eastern Ontario System
November, 1939.....	227,882 H.P.	28,820 H.P.
December.....	227,212 “	28,485 “
January, 1940.....	227,882 “	28,485 “
February.....	218,498 “	0 “
March.....	190,348 “	0 “
April.....	221,180 “	0 “
May.....	219,840 “	26,469 “
June.....	184,986 “	0 “
July.....	193,029 “	27,480 “
August.....	197,050 “	0 “
September.....	195,710 “	13,619 “
October.....	219,840 “	8,311 “

2. Niagara System. These carrying charges were allocated against all power users in the Niagara System in proportion to the horse-power load sold to each during the first 10 months of the year. From September 1st due to a change in conditions under which power was delivered the rate was changed whereby the Eastern Ontario system was charged \$35,000 per year; this figure representing half the estimated fixed and operating charges of the frequency changer set. This charge for the months of September and October, 1940, amounted to \$5,833.34.

Total Charges Fiscal Year 1939-40—\$70,763.88.

Niagara System share—\$64,930.54.

Eastern Ontario share—\$5,833.34.

Mr. Challies asked the following Question (No. 19):—

What is the total amount paid by Ontario Rural Hydro users under the 8% Dominion War Tax for the Hydro year 1939-40.

The Honourable the Prime Minister replied as follows:—

\$331,001.65.

Mr. Challies asked the following Question (No. 20):—

Have any new contracts or extension of previous contracts or agreement or understanding been made with any Quebec Power Company since May, 1937, in reference to supply of Electric Energy. If any, give names of Companies and particulars as to (a) Amount of energy; (b) Load Factor; (c) Date; (d) Price; (e) Point of delivery; (f) Voltage.

The Honourable the Prime Minister replied as follows:—

Four contracts, each dated 14th December, 1937, were validated by Ontario Statute of 1938, Chapter 27, where they are printed in full as schedules of the Act. They are with the following companies:

1. 60-cycle—Gatineau Power Company,
2. 25-cycle—Gatineau Power Company,
3. Beauharnois Light, Heat and Power Company,
4. Maclaren-Quebec Power Company.

In addition, in accordance with the said 1937 contract with Maclaren-Quebec Power Company, the Commission advanced to 1st July, 1940, the increase of 20,000 horse-power due 1st November, 1940, making the contract demand 80,000 horse-power.

Also an understanding has been reached for advancing to 1st November, 1941, the next block of 20,000 horse-power due on 1st November, 1944.

Further, an understanding has been reached with the said company for increase of the maximum under the 1937 contract from 100,000 horse-power to 125,000 horse-power at the same price and load factor, namely, \$12.50 per horse-power per year and 70 per cent load factor.

Mr. Challies asked the following Question (No. 40):—

1. What was the total revenue from customers served by the Abitibi Canyon Development for the Hydro year 1939-1940. 2. What were: (a) Operating expenses; (b) Maintenance cost; (c) Interest charges; (d) Other current expenses for the same period. 3. What are the total accumulated reserves to October 31st, 1940: (a) Sinking Fund; (b) Depreciation; (c) Contingencies and rate stabilization; (d) Any other reserves. 4. What was the capital cost in the years 1939-1940.

The Honourable the Prime Minister replied as follows:

1. \$3,643,758.33. 2. (a) \$314,179.77; (b) \$168,724.81; (c) \$1,029,262.31; (d) \$1,233,955.37. 3. (a) \$3,823,635.52; (b) \$1,707,393.11; (c) \$537,328.70; (d) Nil. 4. Capital cost at October 31st, 1939—\$28,748.18 (Expenditures for year—\$749,944.01); Capital cost at October 31st, 1940—\$28,932,701.49 (Expenditures for year—\$184,434.31).

Mr. Welsh asked the following Question (No. 47):—

1. Which Ontario Hospitals are equipped for the showing of motion pictures with sound. 2. Which Ontario Hospitals are not equipped for the showing of motion pictures with sound. 3. What steps, if any, have been taken to implement the recommendation on Page 63 of the Dr. Sam Hamilton report that moving pictures with sound should be provided for every institution (1937 Session, Sessional Paper No. 53).

The Honourable the Minister of Health replied as follows:—

1. Woodstock, Orillia, New Toronto, Brockville, Kingston, Toronto, Hamilton, Cobourg, Penetanguishene, London. 2. Fort William, Langstaff, Whitby. 3. Sound projectors have been purchased for the Ontario Hospitals at Kingston, Brockville, New Toronto, Woodstock and Orillia.

Mr. Welsh asked the following Question (No. 48):—

1. What has been the total amount expended by the Province to date by way of capital expenditure on the Ontario Hospital at St. Thomas. 2. What amounts, if any, are due to or claimed by, contractors or others as holdbacks, amounts in dispute or otherwise with respect to capital costs at the Ontario Hospital at St. Thomas, giving details.

The Honourable the Minister of Public Works replied as follows:

1. \$6,199,827.35. 2. All contracts completed and final payments made.

Mr. Welsh asked the following Question (No. 49):—

1. Have any buildings other than the Administration Building been constructed in connection with the Ontario Hospital at Port Arthur; if so, give particulars. 2. What amount has been spent to December 31st, 1940, on the construction of the Ontario Hospital at Port Arthur on: (a) Capital account including land purchases, construction, etc.; (b) Ordinary account, including maintenance, salaries and wages of staff, heating, etc. 3. Are any amounts due to or claimed by contractors or others with respect to construction costs or other capital items and, if so, give particulars. 4. What staff is employed at the Port Arthur Hospital giving names, salary or wage rates and date employed. 5. Is any use being made of the administration building and, if so, specify. 6. Have any proposals been made as to using the administration building for other than mental hospital purposes, and, if so, give particulars.

The Honourable the Minister of Public Works replied as follows:—

1. No. 2. (a) \$224,675.24; (b) \$48.15. 3. No. 4. None. 5. Leased to Department of National Defence for duration of the war and six months thereafter. 6. Answered by No. 5.

Mr. Macaulay asked the following Question (No. 54):—

1. Since April 1st, 1937, what solicitors have been appointed to the Inside Service, stating: (a) Name of Solicitor; (b) Date of appointment; (c) Initial salary; (d) Present salary; (e) Department to which attached. 2. Was the certificate of the Civil Service Commissioner issued with respect to each appointment, and, if not, specify. 3. Was the minimum salary exceeded in any case according to the Classification of the Civil Service and if so, specify, giving reasons.

The Honourable the Attorney-General replied as follows:—

1.—

(a)	(b)	(c)	(d)	(e)
Flahiff, Terrence F.	Oct. 11, 1938	\$50 per month	\$2,400.00	Attorney-General
Gallagher, Mary H.	Sept. 23, 1940	\$1,500.00	\$2,080.00	Attorney-General
Henry, Edwin M.	Nov. 16, 1937	\$1,500.00	\$1,800.00	Attorney-General
Hope, Clarence P.	Jan. 1, 1938	\$3,600.00	\$3,600.00	Attorney-General
Martin, Walter M.	May 16, 1938	\$3,000.00	\$4,000.00	Attorney-General
Moffat, Keith P.	June 1, 1940	\$125.00 month	\$125.00 month	Attorney-General
Sharp, Roy C.	July 11, 1939	\$125.00 month	\$166.66 month	Attorney-General
Egener, Fred T.	June, 1937	\$75.00 month	\$150.00 month	Health
Metzler, James B.	Jan. 3, 1939	\$3,000.00	\$3,000.00	Lands and Forests
Van Every, Alan	May 10, 1937	\$3,000.00	\$3,000.00	Municipal Affairs
Ellis, Arthur	Nov. 1, 1940	\$125.00 month	\$125.00 month	Treasury
Little, Vernon H.	Aug. 3, 1937	\$1,500.00	\$1,600.00	Treasury (Resigned Aug. 8th, 1939)
Lewis, Roderick G.	Sept. 6, 1939	\$125.00 month	\$125.00 month	Treasury
Perrett, John F.	July 7, 1938	\$1,500.00	\$1,500.00	Treasury (Enlisted Sept. 3rd, 1940)
Rich, Byron W.	July 8, 1938	\$1,500.00	\$1,500.00	Treasury
Stewart, William E.	May 10, 1937	\$200.00 month	\$2,400.00	Treasury (Dismissed March 15th, 1939)

2. Yes. 3. No.

Mr. Challies asked the following Question (No. 59):—

What was the total payment made by the Hydro-Electric Power Commission to each of the Quebec Power Companies for 25 cycle and 60 cycle power for each month for the years 1938-39.

The Honourable the Prime Minister replied as follows:—

25 CYCLE POWER PURCHASED DURING THE FISCAL YEARS 1938-1939:

	Beauharnois	Gatineau	MacLaren- Quebec	Ottawa Valley	Total
November, 1937.....		\$ 186,020.83	\$ 41,666.67	\$ 100,000.00	\$ 327,687.50
December, 1937.....	\$ 75,604.84	208,416.67	41,666.67	100,000.00	425,688.18
January, 1938.....	130,208.33	208,416.67	41,666.67	98,774.57	479,066.24
February, 1938.....	130,208.33	208,416.67	41,666.66	97,951.06	478,242.72
March, 1938.....	130,208.33	208,416.67	41,666.66	99,243.74	479,535.40
April, 1938.....	130,208.33	208,416.67	41,666.66	94,426.64	474,718.30
May, 1938.....	130,208.33	208,416.67	41,666.66	93,166.23	473,457.89
June, 1938.....	130,208.33	208,416.67	41,666.67	100,000.00	480,291.67
July, 1938.....	130,208.33	208,416.67	41,666.67	93,611.85	473,903.52
August, 1938.....	130,208.33	208,416.67	41,666.67	84,874.57	465,166.24
September, 1938.....	130,208.33	208,416.67	41,666.67	81,903.67	462,195.34
October, 1938.....	130,208.33	208,416.63	41,666.67	88,988.07	469,279.70
	<u>\$1,377,688.14</u>	<u>\$2,478,604.16</u>	<u>\$500,000.00</u>	<u>\$1,132,940.40</u>	<u>\$5,489,232.70</u>

25 CYCLE POWER PURCHASED DURING THE FISCAL YEARS 1938-1939—Continued

	Beauharnois	Gatineau	MacLaren- Quebec	Ottawa Valley	Total
November, 1938.....	\$ 156,250.00	\$ 239,770.83	\$ 62,500.00	\$ 84,364.92	\$ 542,885.75
December, 1938.....	156,250.00	239,770.83	62,500.00	79,951.51	538,472.34
January, 1939.....	156,250.00	239,770.83	62,500.00	69,572.55	528,093.38
February, 1939.....	156,250.00	239,770.83	62,500.00	75,025.08	533,545.91
March, 1939.....	156,250.00	239,770.83	62,500.00	79,630.83	538,151.66
April, 1939.....	156,250.00	239,770.83	62,500.00	90,067.08	548,587.91
May, 1939.....	156,250.00	239,770.83	62,500.00	94,101.94	552,622.77
June, 1939.....	156,250.00	239,770.83	62,500.00	98,495.16	557,015.99
July, 1939.....	156,250.00	239,770.83	62,500.00	100,000.00	558,520.83
August, 1939.....	156,250.00	239,770.83	62,500.00	96,807.47	555,328.30
September, 1939.....	156,250.00	239,770.83	62,500.00	78,921.81	537,442.64
October, 1939.....	156,250.00	239,770.83	62,500.00	77,215.53	535,736.36
	<u>\$1,875,000.00</u>	<u>\$2,877,249.96</u>	<u>\$750,000.00</u>	<u>\$1,024,153.88</u>	<u>\$6,526,403.84</u>

60 CYCLE POWER PURCHASED DURING THE FISCAL YEARS 1938-1939:

	Gatineau Company (For City of Ottawa)	Gatineau Company (For System Use)	Gatineau Company (For Maxville R.P.D.)	Total
November, 1937.....	\$ 18,301.25	\$ 52,562.50	.....	\$ 70,863.75
December, 1937.....	17,964.83	52,562.50	.....	70,527.33
January, 1938.....	18,084.92	52,562.50	.....	70,647.42
February, 1938.....	17,619.25	52,562.50	.....	70,181.75
March, 1938.....	17,744.83	52,562.50	.....	70,307.33
April, 1938.....	17,832.83	52,562.50	.....	70,395.33
May, 1938.....	18,192.17	52,562.50	.....	70,754.67
June, 1938.....	17,930.00	52,562.50	.....	70,492.50
July, 1938.....	16,504.58	52,562.50	.....	69,067.08
August, 1938.....	17,149.00	52,572.50	.....	69,711.50
September, 1938.....	18,283.83	52,562.50	.....	70,846.33
October, 1938.....	17,967.58	62,500.00	\$583.33	81,050.91
	<u>\$213,575.07</u>	<u>\$640,687.50</u>	<u>\$583.33</u>	<u>\$854,845.90</u>

60 CYCLE POWER PURCHASED DURING THE FISCAL YEARS 1938-1939:

	Gatineau Company (For City of Ottawa)	Gatineau Company (For System Use)	Gatineau Company (For Maxville R.P.D.)	Total
November, 1938.....	\$ 18,094.08	\$ 62,500.00	\$ 583.33	\$ 81,177.41
December, 1938.....	18,155.50	62,500.00	583.33	81,238.83
January, 1939.....	18,279.25	62,500.00	583.33	81,362.58
February, 1939.....	17,827.33	62,500.00	583.33	80,910.66
March, 1939.....	17,712.75	62,500.00	583.33	80,796.08
April, 1939.....	18,179.33	62,500.00	583.33	81,262.66
May, 1939.....	18,218.75	62,500.00	583.33	81,302.08
June, 1939.....	18,182.08	62,500.00	583.34	81,265.42
July, 1939.....	16,819.92	62,500.00	583.34	79,903.26
August, 1939.....	17,308.50	62,500.00	583.34	80,391.84
September, 1939.....	18,106.00	62,500.00	583.34	81,189.34
October, 1939.....	18,099.58	62,500.00	607.50	81,207.08
	<u>\$214,983.07</u>	<u>\$750,000.00</u>	<u>\$7,024.17</u>	<u>\$972,007.24</u>

Mr. Kennedy asked the following Question (No. 67):—

1. Is Dr. Sophie Bookhalter employed in the Department of Health for Ontario. 2. If so, where is Dr. Bookhalter employed, what was the date of her appointment, what is the nature of her duties and what is her official title and salary. 3. Who aside from members of the Government and officials of the Government recommended Dr. Bookhalter's appointment. 4. Was Dr. Bookhalter a resident of Ontario when appointed and if not, where was she residing. 5. What special qualifications, if any, has Dr. Bookhalter in relation to her work.

The Honourable the Minister of Health replied as follows:—

1. Yes. 2. Ontario Hospital, Woodstock, date of appointment May 1st, 1940, physician in the Epileptic Division of the Ontario Hospital, Woodstock, Medical Internes \$200.00 per month less perquisites. 3. Dr. Helen Boyle, Lady Chichester Hospital, Hove, Sussex, England, and Dr. Stafford Lewis, St. Bernard's Hospital, Southall, England. 4. No. 348 Manitoba Avenue, Winnipeg, Manitoba. 5. Post-graduate training in the following hospitals: September, 1936, to April, 1937, House Physician at Lady Chichester Hospital for Early Nervous Disorders, Hove, Sussex, England; May 1st, 1937, to August 31st, 1937, House Physician at St. Andrews Hospital, London; September, 1937, to September, 1938, Assistant Medical Officer, Beverley Road Hospital, Hull, England; October 1st, 1938, to April 30th, 1939, Clinical Assistant, Maudsley Hospital, London, England; Diploma of Psychological Medicine, London University, November, 1939.

Mr. Doucett asked the following Question (No. 45):—

1. What amounts have been paid by the Government or by any Board or Commission of the Government to Armand Racine, K.C., specifying: (a) Date of each payment; (b) Amount of each payment; (c) Nature of services rendered; (d) Total amount paid. 2. What amounts are due to or claimed by Armand Racine to date.

The Honourable the Prime Minister replied as follows:—

1. (a), (b), (c) and (d)—In 1934 Mr. Racine received \$6,400 for services and expenses as Commissioner enquiring into the operation of the Temiskaming and Northern Ontario Railway, and \$650 for services and expenses as Commissioner investigating the operations of the Niagara Parks Commission. As a member of the T. & N.O. Commission from October 21st, 1934, to May 8th, 1935, he received \$1,487.71 salary, and \$390 expenses. 1. Since the above-named payments, Mr. Racine has performed no further services for the Government, its boards or commissions, except as Public Trustee, and no further amounts are due or claimed. He was appointed Public Trustee on October 2nd, 1940, at a salary of \$7,000 per annum.

The Order of the Day for resuming the Adjourned Debate on the Amendment to the Motion for consideration of the Speech of The Honourable the Lieutenant-Governor at the opening of the Session, having been read,

The Debate was resumed and, after some time, it was, on the motion of Mr. Duckworth,

Ordered, That the Debate be adjourned until to-morrow.

The House then adjourned at 5.15 p.m.

THURSDAY, MARCH 6TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petitions were read and received:—

Of the Corporation of the Town of Timmins, praying that an Act may pass authorizing the Town of Timmins to collect poll tax for residents of the Town from employers of such men who are employed outside the Town limits.

Of the Corporation of the County of Waterloo, praying that an Act may pass to validate an agreement made by the Petitioner with the Corporation of the City of Galt and the Corporation of the City of Kitchener.

Mr. Stewart asked the following Question (No. 5):—

1. What decorative or commemorative features were built by the Department of Highways in connection with the Queen Elizabeth Way near Fort Erie. 2. Of what do these features essentially consist. 3. Who designed them and what was he paid for his work. 4. What was the contract price. 5. Who was the contractor. 6. What was the contractor paid: (a) Under the terms of his contract; (b) For extras or extensions.

The Honourable the Minister of Highways replied as follows:—

1. None. 2. See answer to 1. 3. See answer to 1. 4. See answer to 1. 5. See answer to 1. 6. See answer to 1.

Mr. Stewart asked the following Question (No. 6):—

1. For how many miles on the Kingston Road east of Toronto have posts equipped with reflectors been installed. 2. What was the cost of this equipment, including the installation. 3. On what other highways and to what extent has this equipment been installed. 4. Who made the respective installations and

what was each contractor paid with respect to each installation. 5. What is the average cost, per post, of each installation, including the reflectors.

The Honourable the Minister of Highways replied as follows:—

1. 3.9. 2. \$800.00. 3. Queen Elizabeth Way from Oakville Bridge to Campbell's Corners, 11 miles; Highway No. 2 at Long Branch, 1 mile; Old Queen Street, 3 miles; Highway No. 8, between Galt and Preston, 1 mile; and for short distances on other highways throughout the Province at bad curves, approaches to narrow bridges, steep hills, etc. 4. All installations made by Department labour forces. 5. 3, 1½" button type, on one side of post only, \$2.75; 3, 1½" button type, on two sides of post, \$3.80; 2, 3" button type, on one side of post only, \$4.25; 2, 3" button type, on two sides of post, \$6.50.

Mr. Hepburn (Prince Edward-Lennox) asked the following Question (No. 8):—

1. How many motor cars have been purchased by the Government to be used in Highway patrol work in place of motorcycles. 2. With respect to each car purchased state: (a) Name of manufacturer; (b) From whom purchased; (c) Price of each vehicle. 3. Were competitive tenders secured and if not, why not. 4. How many such cars is it estimated will be in use by: (a) December 31st, 1941; (b) December 31st, 1942. 5. How many such cars will be required to entirely replace the motor cycles now used. 6. What is the estimated annual cost of operating each car, stating: (a) Estimated cost of gasoline, oil, repairs, tire replacements and other charges other than depreciation; (b) Write off for depreciation. 7. What is the annual average cost to the Government in relation to the operation of a motor cycle in Highway patrol work.

The Honourable the Attorney-General replied as follows:—

1. Forty-six (46). 2. (a) The General Motors of Canada, Limited; (b) The General Motors of Canada, Limited; (c) Five (5) motor cars at \$770.00 each. Four (4) coupes and one (1) coach were purchased as follows: Four (4) coupes for \$677.40 and trade-in of eight used motorcycles owned by Government; One (1) coach purchased for \$355.60 with trade-in of 1938 model Chevrolet coach. Thirty-six (36) motor cars at \$716.00 each. 3. (i) Competitive tenders for the first five motor cars were not secured. The model and specifications were not then settled and it was impracticable to secure tenders because of uncertainty in the specifications and the changes made from time to time; (ii) Competitive tenders were secured for the four coupes and the lowest tender was accepted; (iii) Competitive tenders were not secured for the coupe as this was a trade-in in the ordinary course, the car traded in having travelled 58,000 miles; (iv) Competitive tenders were secured for the thirty-six (36) motor cars and the lowest tender was accepted. 4. (a) Forty-six (46); (b) Eighty-two (82). 5. One hundred and sixteen (116). 6. (a) \$540.00 per car per annum; (b) \$150.00 per car per annum. 7. Motor cars—\$690.00 per car per annum. Motorcycles—\$550.00 per motorcycle per annum.

Mr. Dunbar asked the following Question (No. 9):—

1. What was the indebtedness of the Niagara Parks Commission as of March 31st, 1940, and December 31st, 1940, indicating: (a) Funded debt, provincially guaranteed; (b) Unfunded debt, provincially guaranteed; (c) Funded debt, not provincially guaranteed; (d) Unfunded debt, not provincially guaranteed.

The Honourable the Prime Minister replied as follows:—

	March 31st, 1940	Dec. 31st, 1940
(a) Funded debt, provincially guaranteed	\$3,667,367.70	\$4,039,394.65
(b) Unfunded debt, provincially guaranteed	Nil	Nil
(c) Funded debt, not provincially guaranteed	Nil	Nil
(d) Unfunded debt, not provincially guaranteed	166,080.57	25,719.25
	<hr/>	<hr/>
	\$3,833,448.27	\$4,065,113.90
Less cash on hand and in bank	16,626.79	266,315.51
	<hr/>	<hr/>
	\$3,816,821.48	\$3,798,798.39
	<hr/>	<hr/>

Mr. Black asked the following Question (No. 13):—

1. What amount was spent by the Government to February 15th, 1941, with respect to Air Raid Precautions: (a) As to materials purchased giving particulars as to kinds and quantities purchased, name of each vendor and amount paid to each vendor; (b) As to all other expenditures. 2. What Air Raid Precautions material is now on hand stating: (a) Points at which stored; (b) Kinds and quantities of material stores at each point. 3. What official is in general charge of Air Raid Precautions for the Province and generally, what have been his activities in the matter.

The Honourable the Prime Minister replied as follows:—

1. (a) Nil. All materials have been supplied by the Department of National Defence; (b) Nil. All expenditures to date (\$1,035.34) have been covered by grant from the Dominion Government. 2 (a) and (b). It is not deemed in the public interest to disclose this information. 3. The Ontario Civilian Defence Committee is in general charge of Air Raid Precautions in the Province. The Executive Committee is as follows: Chairman, G. D. Conant; Vice-Chairman, H. S. McCready; Secretary, H. D. McNairn; Controller of Police Services, H. S. McCready; Controller of Fire Services, W. J. Scott; Controller of Medical Services, Dr. B. T. McGhie; Controller of Public Utility Services, R. A. McAllister; Controller of Transportation, R. M. Smith. The activities of the Ontario Civilian Defence Committee have been and are being directed at: (a) The creation of volunteer civilian organizations in the municipalities designated by the Department of National Defence for the protection of life and property in the event of any emergency occasioned by the war; (b) Co-operation with and assistance to such municipalities in the formation, organization, instruc-

tion and training of local units; (c) The co-ordination in conjunction with the Federal authorities of the organization and work of all C. D. C. units in Ontario.

Mr. Welsh asked the following Question (No. 52):—

1. On January 31st, 1941, how many patients at the Ontario Hospital, Orillia, were: (a) In residence; (b) Boarded out; (c) On probation. 2. On January 31st, 1941, how many applications for admission to the Ontario Hospital, Orillia, were on file, which could not be dealt with because of lack of room. 3. How many patients were discharged from the Ontario Hospital at Orillia during the fiscal year ending March 31st, 1940, and during the fiscal year 1941 to January 31st, 1941. 4. How many of the discharged patients mentioned in (3) were placed in gainful occupations through the efforts of the Hospital organization. 5. What was the proper patient capacity of the Orillia Hospital according to the report of Dr. Sam Hamilton. 6. How many pairs of shoes were manufactured at the Ontario Hospital at Orillia during the fiscal year ending March 31st, 1940. 7. What was the sale value of the shoes mentioned in (6). 8. How many pairs of shoes were sold from the Ontario Hospital at Orillia during the fiscal year ending March 31st, 1940. 9. What was the sales value of the shoes mentioned in (8). 10. Have any additional lands been purchased for use in connection with the Ontario Hospital at Orillia and, if so, state: (a) Description of lands acquired; (b) From whom acquired; (c) Purchase price of each parcel; (d) Date of purchase.

The Honourable the Minister of Health replied as follows:

1. (a) 1980, (b) 10, (c) 106. 2. 1,558. 3. 80 were discharged during the fiscal year ending March 31st, 1940, and 69 were discharged during the fiscal year 1941 to January 31st, 1941. 4. 88. 5. 1,500. 6. 4,050. 7. \$10,425.00. 8. 3,858. 9. \$9,945.00. 10. No.

Mr. Welsh asked the following Question (No. 53):—

1. What buildings at the Ontario Hospital at Hamilton were destroyed by fire in or about the month of August, 1940. 2. At what hour was the fire discovered. 3. What was the size of each building destroyed, of what construction, for what ordinarily used and what stock ordinarily was housed therein. 4. What was the estimated value of each of the buildings destroyed. 5. What was the quantity and value of property destroyed other than buildings and including: (a) Live stock; (b) Hay, grain and feeds; (c) Implements and other farm equipment; (d) Other property, specifying. 6. At the time of the fire, what was the live stock at the Hospital, specifying: (a) Horses; (b) Cattle; (c) Hogs; (d) Other stock. 7. What disposition has been made of this stock. 8. Have steps been taken to replace the buildings destroyed; if so, state: (a) Actual or estimated replacement costs; (b) Date when replacement will be effected. 9. Were buildings or property insured; if so state amount of insurance collected. 10. Is there any arrangement in existence whereby the Hamilton Fire Brigade will assist in protecting Hospital property; if so, when was it made

and what are the terms thereof. 11. What fire brigades assisted in combatting the fire. 12. Was an ample water supply available for fire-fighting purposes; if not, why not. 13. Was an investigation made as to cause of, responsibility for and circumstances surrounding, the fire, and if so, by whom. 14. If investigation held, what were the findings as to cause, surrounding circumstances and responsibility. 15. If the dairy herd at the Hospital has been sold or placed elsewhere, state arrangements as to milk supply, indicating: (a) From whom secured; (b) Cost per gallon or hundred weight; (c) Average monthly cost.

The Honourable the Minister of Health replied as follows:—

1. Cow Barn, Horse Barn and Overflow Barn, completely; Isolation Barn and Dairy Room, partly. 2. 9.30 a.m. August 28th, 1940. 3. Cow Barn—120' x 80', frame with stone foundation, stabling cattle and granary; Horse Barn—100' x 30', frame, stabling horses and granary; Overflow Barn—60' x 30', frame, stabling colts and calves and granary; Isolation Barn—20' x 32', frame with cement foundation, isolation of sick animals; Dairy Room—28' x 18', cement block, pasteurizing milk. 4. Cow Barn, \$7,600, Horse Barn, \$3,400, Overflow Barn, \$2,500, Isolation Barn, \$800, Dairy Room, \$600. 5. (a) None; (b) \$2,068.78; (c) \$425; (d) None. 6. (a) Horses, 26; (b) Cattle, 106; (c) Hogs, 325; (d) Poultry, 4,420. 7. Horses moved to another building, cattle moved to Hickory Farm with exception of 35 heifers moved to Brampton, Ontario Hospital. Other stock not moved. 8. No. 9. No. 10. Yes, verbal agreement of long standing Hamilton Fire Brigade comes on telephone call. 11. City of Hamilton Fire Brigade and Ontario Hospital Fire Brigade. 12. Yes. 13. Yes, by an Inspector of the Fire Marshal's Department. 14. First report did not define cause or responsibility, later findings indicated that fire was started by a patient. 15. Dairy herd has not been sold or placed elsewhere.

Mr. Spence asked the following Question (No. 62):—

1. Who is the Deputy Fire Marshal of Ontario. 2. When was he appointed. 3. What is his salary. 4. What are his specific qualifications for the position.

The Honourable the Attorney-General replied as follows:

1. The position of Deputy Fire Marshal has been vacant since the promotion of William H. Stringer to the office of Commissioner of Police for Ontario. 2. Answered by 1. 3. Answered by 1. 4. Answered by 1.

Mr. Duckworth asked the following Question (No. 65):—

1. How many pupils are enrolled during the current school year at the Ontario School for the Blind at Brantford. 2. How many pupils have graduated therefrom in each of the school years 1930 to 1940, inclusive. 3. How many employees are there on: (a) The teaching staff; (b) The business office staff;

(c) All other staffs. 4. Are any graduates of the School employed therein and if so, how many, indicating the number in the several categories. 5. Who is the Principal or Superintendent. 6. When was he appointed. 7. What was his initial salary and what is his present salary. 8. What are his academic qualifications; what are his special qualifications and where and how acquired. 9. What was the revenue from the School in 1938, 1939 and 1940 fiscal years from (a) Fees; (b) All other sources. 10. What was the gross cost of operation in each of the fiscal years mentioned in (9). 11. What was the gross per capita per day in each of the fiscal years mentioned in (9). 12. What is the amount of farm and garden land cultivated in conjunction with the School. 13. How many graduates in the school years ending in 1938, 1939 and 1940, respectively, were placed in gainful occupation with the assistance of the School organization.

The Honourable the Minister of Education replied as follows:

1. 170. 2. 1930, 12; 1931, 13; 1932, 20; 1933, 12; 1934, 6; 1935, 4; 1936, 8; 1937, 10; 1938, 10; 1939, 17; 1940, 13. 3. (a) 15 full time, 4 part time; (b) 4. (c) 31. 4. 4—2 teachers of music, 1 supervisor of boys, 1 instructress in knitting. 5. Superintendent—H. J. Vallentyne. 6. January 1st, 1935. 7. \$5,000.00, \$5,000.00. 8. Bachelor of Arts, Queen's University, Master of Arts, University of Toronto, Principal, Port Perry Public School—1 year; Assistant Principal, Toronto Public Schools—7 years (also critic teacher for teachers-in-training); Principal, Toronto Public Schools—12 years; Public School Inspector, Toronto—5 years; Special Lecturer, Toronto Normal School—1 year; Summer School Lecturer, Mount Allison University, New Brunswick—1 term. 9. (a) 1938, \$12,900.00; 1939, \$11,733.33; 1940, \$14,233.33; (b) 1938, \$8,157.62; 1939, \$7,817.11; 1940, \$7,297.42. 10. 1938, \$87,921.33; 1939, \$90,234.35; 1940, \$90,828.89. 11. 1938, \$1.55; 1939, \$1.47; 1940, \$1.48. 12. 31 acres, more or less. 13. 1938—all; 1939—all; 1940—all, with the possible exception of two.

The Order of the Day for resuming the Adjourned Debate on the Amendment to the Motion for consideration of the Speech of The Honourable the Lieutenant-Governor at the opening of the Session, having been read,

The Debate was resumed and, after some time, it was, on the motion of Mr. Summerville,

Ordered, That the Debate be adjourned until to-morrow.

The House then adjourned at 5.30 p.m.

FRIDAY, MARCH 7TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bills were severally introduced and read the first time:—

Bill (No. 17), intituled, "An Act respecting St. George's Church, Guelph." *Mr. Drew.*

Referred to the Committee on Private Bills.

Bill (No. 10), intituled, "An Act respecting National Steel Car Corporation, Limited." *Mr. Kennedy.*

Referred to the Committee on Private Bills.

Bill (No. 50), intituled, "An Act to amend The Highway Traffic Act." *Mr. Macaulay.*

Ordered, That the Bill be read a second time on Monday next.

Mr. Hepburn (Prince Edward-Lennox) asked the following Question (No. 27):—

1. For the fiscal years ending March 31st, 1939, and 1940, what amount was paid to the Ontario Cheese Producers Marketing Board under the provisions of The Ontario Farm Products Control Act.

The Honourable the Minister of Agriculture replied as follows:—

1. Nil.

Mr. Acres asked the following Question (No. 29):—

1. Is the Agricultural Demonstration Farm at New Liskeard in operation.
2. What expenditures, specifying capital and ordinary, have been made with respect to the operation of this farm in each of the fiscal years ending March 31st, 1936, 1937, 1938 and 1939.

The Honourable the Minister of Agriculture replied as follows:—

1. Yes.

	Ordinary	Capital
2. 1936.....	\$12,252.92	.....
1937.....	10,670.22	.....
1938.....	11,993.16	.....
1939.....	12,909.99	.....

Mr. Frost asked the following Question (No. 34):—

1. What payments were made to John Cowan, as Commissioner under The Succession Duty Act, in the matter of inquiry into the Spencer estate. 2. What other payments, if any, have been made to Mr. Cowan as fees, salary, honoraria, allowances or otherwise and for what services other than his remuneration as Crown Attorney and Clerk of the Peace for Lambton County, specifying dates of payments.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

1. \$1,600.00 paid May 5th, 1936, as Commissioner appointed under The Succession Duty Act to inquire into the Estates of William Spencer, Jane Spencer, Josephine McTaggart, Charles Norman Spencer, William Melville Spencer, Adelene A. Spencer and Caroline Bagley Spencer. 2. Nil.

Mr. Doucett asked the following Question (No. 50):—

1. From January 1st, 1936, to December 31st, 1940, what special Crown Prosecutors have been appointed to assist at Assizes or other Courts, stating: (a) Name; (b) Legal matter or assize; (c) Per diem or other rate of remuneration; (d) Total amount paid each special prosecutor.

The Honourable the Attorney-General replied as follows:—

(a)	(b)	(c)	(d)
Name	Legal Matter or Assize	Per Diem or other Rate of Remuneration	Total Amount Paid
J. C. McRuer, K.C.	Toronto Winter Assize, 1936	.....	\$1,301.70
D. Sher	Toronto Winter Assize, 1936	\$15 per diem	195.00
J. L. Wilson	Toronto Winter Assize, 1936	.....	300.00
G. N. Gordon, K.C.	Peterboro Spring Assizes, 1936	\$50 per diem	131.00
D. L. McCarthy, K.C.	London Spring Assize, 1936	\$150 per diem	1,367.40
P. V. Ibbetson	Port Arthur Spring Assize, 1936	\$50 per diem	97.00
F. W. Griffiths, K.C.	Toronto Spring Assize, 1936	\$50 per diem	904.45
M. Lerner	London Fall Assizes, 1937	\$50 per diem	160.90
H. H. Donald, K.C.	Cobourg Fall Assize, 1937	\$50 per diem	321.05
E. S. Livermore, K.C.	St. Thomas Fall Assize, 1937	\$50 per diem	197.00
C. P. Hope, K.C.	Napanee Fall Assize, 1937	\$50 per diem	530.82
J. C. Anderson	Barrie Fall Assizes, 1937	\$50 per diem	513.90
T. M. J. Galligan	Pembroke Fall Assize, 1937	\$50 per diem	506.00
C. P. Hope, K.C.	North Bay Fall Assize, 1937	\$50 per diem	339.20
E. S. Livermore, K.C.	Brantford Spring Assize, 1938	\$50 per diem	290.90
J. H. McDonald, K.C.	Cochrane Fall Assize, 1938	\$50 per diem	575.75
E. S. Livermore, K.C.	Welland Fall Assize, 1938	\$50 per diem	562.10
Salter Hayden, K.C.	Toronto Spring Assize, 1939	.....	550.66

Mr. Macaulay asked the following Question (No. 55):—

1. Who are the members of the Niagara Falls Bridge Commission. 2. What remuneration, if any, has been paid to the members of the Niagara Falls Bridge Commission and on what basis is such remuneration paid.

The Honourable the Prime Minister replied as follows:—

1. Hon. T. B. McQuesten, K.C., Hamilton, Ontario; C. Ellison Kaumeyer, Chippawa, Ontario; Archie J. Haines, M.P.P., Jordan, Ontario; Ross Harstone, Hamilton, Ontario; Samuel M. Johnson, Lockport, New York; Ralph Hockstetter, Buffalo, New York; F. H. Krull, Niagara Falls, New York; Will Alban Cannon, Niagara Falls, New York. 2. The Commissioners receive no remuneration. This is clearly covered by Section 8 of Public Resolution No. 117, Seventy-fifth Congress, Chapter 490, Third Session, a Joint Resolution creating the Niagara Falls Bridge Commission.

Mr. Macaulay asked the following Question (No. 61):—

1. How many magistrates were dismissed or were asked for their resignations by the present administration since July 15th, 1934. 2. How many of such magistrates served more than two years prior to their dismissal or removal.

The Honourable the Attorney-General replied as follows:

1. July 15th, 1934, to October 11th, 1937.....	91
October 12th, 1937, to date.....	4
Total.....	95

2. Eighty-five (85).

Mr. Kennedy asked the following Question (No. 64):—

1. In each fiscal year since the present Government took office, what payments have been made to Cockfield, Brown and Co., Ltd.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

1933-34.....	\$ 1,919.01
1934-35.....	17,997.88
1935-36.....	14,152.35
1936-37.....	23,922.91
1937-38.....	89,442.52
1938-39.....	17,035.65
1939-40.....	22,548.45
Total.....	\$187,018.77

The above sums represent the total cost of advertising, including preparation of material, etc., the agents retaining 15 per cent as their fee.

Mr. Drew moved, seconded by Mr. Kennedy,

THAT the members of this Legislature approve of the principle that every public building actually needed for the effective prosecution of our war effort be made available whenever required but they believe there is no justification for taking over the buildings of the Ontario Agriculture College, for use as a wireless training school, and that better and quicker results will be obtained by erecting wooden buildings for that purpose.

And a debate having arisen, after some time, with the unanimous consent of the House, the Motion was withdrawn.

With the unanimous consent of the House, Mr. Nixon (Brant) moved, seconded by Mr. Oliver,

That the Members of this Legislature approve of the policy of the Government as outlined in a telegram sent by the Premier of Ontario on September 5th, 1939, to the Right Honourable W. L. Mackenzie King, Prime Minister of Canada, Ottawa, which reads in part: "This administration further offers every co-operation in releasing for use of the militia provincial buildings, lands, or any other asset that you might require, including our entire provincial air service. In regard to personnel am also offering now the use of our six tubercular clinics made up of skilled, trained and efficient doctors and technicians who can serve a very useful purpose in assisting with proper medical inspection of volunteers to Canadian army. The services of all departments of Government are available to you."

The Motion being put to the House was carried by unanimous vote.

The House then adjourned at 5.00 p.m.

MONDAY, MARCH 10TH, 1941

PRAYERS.

3 O'CLOCK P.M.

On the motion of Mr. Strachan, seconded by Mr. Dickson,

Ordered, That owing to the present situation in Great Britain and notwithstanding the provisions of Rule No. 76 of this House, Bill (No. 18), "An Act respecting a Trust Settlement of the late Peter Birtwistle and the Corporation of the Borough of Colne (England)" be not referred to the Commissioners of Estates Bills but be referred direct to the Committee on Private Bills for consideration and a report thereon, and that the provisions of Rules No. 76 and No. 77 be suspended so far as they relate to the said Bill.

The following Bills were severally introduced and read the first time:—

Bill (No. 51), intituled, "An Act to amend The Municipal Act." *Mr. Strachan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 9), intituled, "An Act to incorporate Malton Water Company." *Mr. Kennedy.*

Referred to the Committee on Private Bills.

Bill (No. 52), intituled, "An Act to amend The Municipal Act." *Mr. Kennedy.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 53), intituled, "An Act to amend The Mental Hospitals Act." *Mr. Kirby.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 54), intituled, "An Act respecting the subsidizing of Cheese and Hogs produced in Ontario." *Mr. Dewan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 55), intituled, "An Act respecting the Rainbow Bridge." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 56), intituled, "An Act to amend The Weed Control Act." *Mr. Kennedy.*

Ordered, That the Bill be read a second time to-morrow.

On motion of Mr. Frost, seconded by Mr. Black,

Ordered, That there be laid before this House a Return of all letters, memoranda, certificates and documents of whatsoever nature in the possession of the Government or of any member, official or employee of the Government in relation to one John Kluck who was a patient at the Ontario Hospital at Penetanguishene and who was arrested in the City of Toronto in the month of September, 1940, on a charge of murder.

Mr. Hepburn (Prince Edward-Lennox) asked the following Question (No. 2):—

1. Other than King's Highways or other roads, what public buildings or other public works are under construction by the Government, stating in each case: (a) Name, location and purpose of each project; (b) Estimated total cost of each project; (c) Probable date of completion of each project.

The Honourable the Minister of Public Works replied as follows:—

1. (a) Building being erected at Winston (formerly Swastika) for the purpose of a Division Office Building for the Department of Highways; (b) Estimated cost—\$10,000; (c) Date of completion—July 1st, 1941.

Mr. Murphy asked the following Question (No. 24):—

1. What amount was spent by the Government in the erection of a comfort station at Port Burwell in the constituency of Elgin. 2. What municipal bodies or officials, organizations or individuals requested the Government to install this convenience. 3. What was paid by the Government for: (a) Land; (b) Construction of buildings and furnishing and installing equipment. 4. From whom was the land purchased and what was the area. 5. To whom were contracts let for buildings, and for furnishing and installation of equipment and state amount paid to each. 6. Is a caretaker or other staff furnished by the Government to look after maintenance of the convenience, and if so, give particulars. 7. Is installation of this comfort station part of a general programme on the part of the Government to install such stations generally at summer resorts or elsewhere and if so, state at what points similar installations have been made.

The Honourable the Minister of Public Works replied as follows:—

1. \$5,144.63. 2. The Council of the Township of Bayham and others. 3. (a) No land purchased; (b) \$5,144.63. 4. See 3 (a).

5. C. A. Walker—Construction of Building \$3,648.60
Robert Rankin & Son—Plumbing 1,496.03

\$5,144.63

6. No. 7. The beach on which this station is located is one of the most desirable on Lake Erie and attracts a large number of tourists during the Summer months, being conveniently located to the King's Highway No. 19, and provision of these facilities was necessary for sanitary purposes. No similar convenience has been provided elsewhere, such provision being dependent on local conditions.

Mr. Stewart asked the following Question (No. 30):—

1. How many seizures of furs have been made under the provisions of Game and Fisheries enactments and relative laws during the fiscal years 1939 and 1940 and from April 1st, 1940, to December 31st, 1940. 2. In how many cases in each of the periods mentioned in (1) were the seized pelts or furs sold and what

was the amount realized from such sales in each of the periods. 3. In how many cases in each of the periods mentioned in (1) were the seized pelts or furs returned to the parties from whom they were seized. 4. Where furs or pelts were seized in each of the periods mentioned in (1) state: (a) Number of prosecutions in each period; (b) Number of convictions registered in each period; (c) Number of fines imposed and total amount of fines imposed in each period; (d) Number and total amount of such fines paid in each period; (e) Number of prison terms imposed in each period; (f) Number of acquittals in each period.

The Honourable the Provincial Secretary replied as follows:—

	1938-39	1939-40	April 1st to December 31st, 1940
1.	124	123	109
2.	120—\$14,179.23	123—\$4,539.60	68—\$17,766.23
3.	3	None	1
4. (a)	109	106	101
(b)	107 (2 remands)	105 (2 remands) (1 suspension)	100 (1 remand)
(c)	103—\$24,810.00	101—\$4,654.00	92—\$14,262.00
(d)	90—\$7,447.00	82—\$2,347.00	80—\$11,140.00
(e)	16	20	20
(f)	2	1	1

Mr. Reynolds asked the following Question (No. 38):—

1. What were the peak loads and kilowatt hours purchased from each of the Quebec Power Companies for 25 cycle and 60 cycle power for each month of the years 1938-1939. 2. What amount was paid for standby services, or secondary sundry power, during the above months.

The Honourable the Prime Minister replied as follows:

1. PEAK LOADS IN HORSE-POWER AND KILOWATT-HOURS

1938 TWENTY-MINUTE PEAKS IN HORSEPOWER

Month	Gatineau Power Co. 220,000 volt, 25 cycle Contract	MacLaren- Quebec Power Company	Beauharnois Light, Heat, & Power Company	Ottawa Valley Power Company	GATINEAU POWER COMPANY— 60 CYCLE		
					110 Kv. Delivery	11 Kv. Delivery	Treadwell Delivery
January . . .	162,466	41,555	126,005	98,525	41,957	20,107	
February . .	164,477	42,225	126,005	99,196	41,957	19,571	
March	164,477	42,225	127,346	103,217	41,957	19,839	
April	165,147	41,555	126,676	93,163	44,571	20,107	
May	166,488	42,225	127,346	98,535	41,957	20,107	
June	166,890	54,290	126,676	89,142	41,957	19,839	
July	161,796	44,906	126,676	87,131	41,957	18,499	
August	167,158	44,236	126,005	90,483	41,957	19,035	
September . .	166,488	41,555	126,676	96,515	41,957	20,241	
October . . .	167,560	41,555	126,005	104,558	60,054	20,107	
November . .	202,681	61,662	150,804	109,249	61,796	20,107	97
December . .	203,083	65,684	151,475	111,930	64,075	20,107	129

KILOWATT-HOURS

Month	Gatineau Power Co. 220,000 volt, 25 cycle Contract	MacLaren- Quebec Power Company	Beauhar- nois Light, Heat & Power Company	Ottawa Valley Power Company	GATINEAU POWER COMPANY— 60 CYCLE		
					110 Kv. Delivery	11 Kv. Delivery	Treadwell Delivery
January . . .	203,753	69,705	150,804	103,887	63,003	20,375	105
February . . .	203,753	65,684	150,804	111,260	62,332	19,839	129
March	203,083	63,003	150,804	96,515	62,466	19,839	125
April	203,753	67,694	151,475	95,174	61,930	20,107	157
May	205,764	63,003	151,475	93,499	62,735	20,241	185
June	203,753	64,343	151,475	91,153	61,662	20,107	185
July	204,424	65,013	152,145	97,185	60,322	18,767	129
August	204,424	64,343	151,475	99,196	60,322	19,169	217
September . .	205,362	65,013	152,145	108,579	60,054	20,375	225
October	204,424	64,343	152,145	114,611	64,343	19,973	209
November . . .	266,086	63,673	152,145	113,941	65,013	20,107	209
December . . .	276,139	64,343	154,826	113,606	65,684	20,107	194

1938

January . . .	58,601,300	14,831,000	48,750,000	30,603,550	15,809,600	6,053,400	
February . . .	54,682,300	14,030,000	45,330,000	28,146,800	14,719,500	5,365,800	
March	61,415,700	15,759,000	49,800,000	32,003,700	15,018,000	5,724,000	
April	57,956,900	14,880,000	46,350,000	27,935,950	15,717,100	5,389,200	
May	59,503,400	14,730,000	46,910,000	28,026,900	15,747,200	5,508,000	
June	59,937,300	15,195,000	48,630,000	25,112,800	15,960,500	4,980,600	
July	58,788,500	15,090,000	46,610,000	25,084,950	15,298,000	4,696,200	
August	62,449,000	15,718,000	51,150,000	26,376,950	16,472,000	4,847,400	
September . .	58,368,100	14,950,000	49,890,000	28,498,100	16,314,000	5,304,600	
October	59,988,380	14,674,000	48,150,000	31,565,350	22,564,870	5,461,200	
November . . .	75,903,800	22,745,000	60,990,000	28,629,050	22,778,000	5,547,600	16,800
December . . .	77,485,400	22,847,000	59,380,000	26,982,450	23,483,000	6,055,200	21,300

1939

January . . .	77,644,100	22,764,000	60,530,000	26,135,200	23,139,000	6,057,000	18,300
February . . .	70,283,600	21,115,000	56,340,000	24,466,500	21,033,000	5,385,600	25,800
March	79,207,800	23,628,000	63,320,000	27,256,950	23,598,000	5,722,200	27,900
April	73,769,400	21,616,000	58,410,000	29,958,200	22,128,900	5,432,400	30,900
May	76,556,500	23,566,000	62,740,000	32,800,750	23,394,700	5,664,600	39,300
June	76,471,200	22,792,000	70,820,000	30,786,300	22,954,000	5,072,400	31,200
July	75,807,500	22,668,000	60,710,000	29,764,050	22,457,000	4,874,400	26,700
August	79,840,400	23,188,000	62,670,000	30,146,200	23,584,000	4,865,400	47,400
September . .	75,329,600	22,696,000	60,230,000	25,540,900	22,616,000	5,344,200	41,400
October	76,671,200	23,084,000	61,500,000	30,407,950	23,177,000	5,716,800	42,000
November . . .	98,924,700	22,740,000	60,930,000	34,218,250	22,791,000	5,731,200	37,200
December . . .	98,862,540	23,124,000	60,935,680	29,122,650	23,071,460	6,037,200	43,200

2. No payments were made for standby services or secondary sundry power during the years 1938 and 1939.

Mr. Challies asked the following Question (No. 39):—

1. What was the total peak power taken each month in horse-power from each of the Quebec Power Companies in 25 cycle and 60 cycle power since December, 1939.

The Honourable the Prime Minister replied as follows:—

TWENTY-MINUTE PEAKS IN HORSEPOWER

1940 Month	Gatineau Power Co. 220,000 volt, 25 cycle Contract	MacLaren- Quebec Power Company	Beauhar- nois Light, Heat & Power Company	Ottawa Valley Power Company	GATINEAU POWER COMPANY— 60 CYCLE		
					110 Kv. Delivery	11 Kv. Delivery	Treadwell Delivery
January....	276,810	68,365	150,938	113,941	63,003	20,241	185
February....	277,480	65,013	151,609	109,249	63,003	19,973	181
March.....	278,150	66,354	152,279	95,174	61,662	20,107	185
April.....	274,799	61,662	151,475	110,590	68,364	20,375	173
May.....	268,097	61,662	151,609	109,920	63,003	20,509	193
June.....	266,086	64,343	152,279	92,493	63,673	19,169	181
July.....	264,075	85,791	150,938	97,185	63,673	20,107	185
August.....	265,416	87,131	151,609	98,525	64,343	20,107	201
September..	265,416	94,504	150,804	97,855	63,003	20,107	209
October....	264,075	86,461	152,145	109,920	63,673	19,839	197
November..	274,129	86,461	152,145	111,260	67,024	20,375	193
December..	278,150	89,142	151,475	111,930	63,003	20,241	201

Mr. Challies asked the following Question (No. 41):—

1. What is the total amount of horse-power of electric energy being exported during 1939, 1940 to Massena, N.Y., by the, or through, the Hydro-Electric Power Commission: (a) From what Company or source is the energy secured by the Commission; (b) Where is the energy measured as a basis for payment by the N.Y. interests to the Commission; (c) Where is the energy measured as a basis for payment by the Commission to Company supplying the energy; (d) What is the Load Factor; (e) What price per horse-power does the Hydro-Electric Power Commission receive for this energy; (f) Is the price paid in United States or Canadian funds.

The Honourable the Prime Minister replied as follows:—

1. The total horse-power exported during 1939-1940 to Massena, N.Y., by the, or through, the Hydro-Electric Power Commission was as follows:

	20-Min. Peak H.P.	Load Factor	
1939—December.....	23,000	90.0%	Delivery commenced December 29th, 1939
1940—January.....	23,000	90.0%	
February.....	23,000	90.0%	
March.....	23,000	90.0%	
April.....	23,000	90.0%	
May.....	23,000	90.0%	
June.....	26,680	90.0%	
July.....	26,680	90.0%	
August.....	43,418	86.3%	
September.....	45,550	88.5%	
October.....	44,414	89.9%	
November.....	43,875	91.6%	
December.....	45,114	91.8%	

(a) From December 29th, 1939, to August 3rd, 1940, the Commission secured the

power for export to Massena from the Beauharnois Light, Heat and Power Company at 60 cycles in lieu of 25 cycle power to the Niagara system under the 25 cycle contract with this Company. After August 3rd, 1940, the export was secured from the surplus power available on the Niagara and Eastern Ontario systems; (b) International Boundary; (c) Company's plants; (d) Load Factor is given in table above; (e) \$14.50 per horsepower per year plus 2.47 mills per kilowatt-hour for energy in excess of 90 per cent load factor, plus payment of export tax on energy; (f) The price is paid in Canadian funds.

Mr. Doucett asked the following Question (No. 44):—

1. Are the lands of the Industrial Farm, Burwash, constituted a Game Preserve; if so, when was such action taken. 2. Is any hunting or fishing allowed within the boundaries of the Industrial Farm, Burwash, detailing any prohibitions in effect under the Game and Fishery laws.

The Honourable the Provincial Secretary replied as follows:—

1. Yes, with modifications. By Order-in-Council May 1st, 1934: gazetted May 5th of same year. 2. Modifications permitting hunting and fishing are provided for by subsections (b) and (c) of Section 1 and section 2 of the Order-in-Council, and are:

- (b) provided, however, that officers of the Burwash Industrial Farm, designated by the Superintendent of the Institution, may hunt thereon in accordance with the provisions of The Game and Fisheries Act;
 - (c) From the aforementioned area, the Department of Game and Fisheries may, under permit, authorize their own officers or officers of the Burwash Industrial Farm to remove predatory animals or vermin; or take game birds or animals for educational or scientific purposes; or transfer any surplus stock of game when conditions warrant such action; and
2. provided, however, that Officers of the Burwash Industrial Farm, designated by the Superintendent of the Institution may fish therein, in accordance with the provisions of the Game and Fisheries Act and Regulations, and further, provided that this does not apply to the taking of fish under authority given by the Department of Game and Fisheries for propagation purposes or for the stocking of public waters.
-

Mr. Challies asked the following Question (No. 57):—

What was the 20-minute peak demand for electric energy for the Eastern Ontario Hydro-Electric Power System for the months of January, November and December for the year 1940 and January, 1941, for total primary and total primary and secondary.

The Honourable the Prime Minister replied as follows:—

EASTERN ONTARIO SYSTEM

TOTAL SYSTEM (PRIMARY AND SECONDARY) 20-MIN. PEAKS

1940—January.....	143,856 horse-power
November.....	151,250 "
December.....	153,164 "
1941—January.....	151,606 "

TOTAL SYSTEM PRIMARY 20-MIN. PEAKS

1940—January.....	137,556 horse-power
November.....	151,250 "
December.....	153,164 "
1941—January.....	151,606 "

Mr. Challies asked the following Question (No. 58):—

What was the total peak power sold on the Niagara System, inclusive of power used for steam production, export power, contractual obligations and peak demand, for the months of January, November and December for the year 1939-40.

The Honourable the Prime Minister replied as follows:—

NIAGARA 25 AND 60 CYCLE SYSTEM

	Total Peak Power Sold (Generated and Purchased Peak)	Additional Quantities which Customers were entitled to under Contract
1939—January.....	1,412,064 horse-power	50,000 horse-power
November.....	1,485,925 "	35,000 "
December.....	1,514,879 "	30,000 "
1940—January.....	1,507,775 "	32,000 "
November.....	1,537,265 "	27,000 "
December.....	1,589,544 "	24,000 "

Mr. Acres asked the following Question (No. 83):—

1. In how many municipalities does the Liquor Control Board require that beverage rooms close earlier than twelve o'clock midnight, and state: (a) Name of each municipality in which earlier closing is required; (b) Closing hour in each case; (c) Date that earlier closing became effective in each case. 2. Have any municipal requests for earlier closing been refused by the Liquor Control Board and if so, give particulars.

The Honourable the Prime Minister replied as follows:—

1. Thirty-eight (38) municipalities have prepared local by-law requiring the

closing of beverage rooms earlier than twelve o'clock midnight, and the Board have approved of such by-laws.

(a)	(b)	(c)
Peterboro.....	Monday to Friday, 11 p.m. Saturday 10 p.m.	Apr. 17th, 1937
Elora.....	Monday to Friday, 12 p.m. Saturday, 11 p.m.	Apr. 24th, 1937
Westport.....	Monday to Saturday, 11 p.m.	Apr. 24th, 1937
Blandford Twp.....	Monday to Saturday, 11 p.m.	Apr. 27th, 1937
Walkerton.....	Monday to Saturday, 11 p.m.	May 1st, 1937
Brant Twp.....	Monday to Saturday, 11 p.m.	May 4th, 1937
Georgetown.....	Every week day at 11 p.m.	May 7th, 1937
Brantford.....	Monday to Saturday, 11 p.m.	May 10th, 1937
Listowel.....	Monday to Friday, 11 p.m. Saturday, 10 p.m.	May 11th, 1937
Madoc.....	Monday to Saturday, 11 p.m.	May 17th, 1937
Brockville.....	Monday to Saturday, 10 p.m.	May 20th, 1937
Plantagenet N. Twp.....	Monday to Friday, 11 p.m. Saturday 12 p.m.	May 31st, 1937
Newcastle.....	Monday to Friday, 11 p.m. Saturday, 10.30 p.m.	May 31st, 1937
Whitby.....	Monday to Saturday, 11 p.m.	June 10th, 1937
Hastings.....	Monday to Friday, 11.30 p.m. Saturday, 11 p.m.	June 11th, 1937
Trenton.....	Monday to Saturday, 11 p.m.	July 1st, 1937
Finch Twp.....	Monday to Saturday, 10.45 p.m.	June 23rd, 1937
Thedford.....	Monday to Saturday, 11 p.m.	Aug. 24th, 1937
Paris.....	Monday to Saturday, 11 p.m.	Nov. 24th, 1937
Anson Twp.....	Monday to Saturday, 11 p.m.	Nov. 26th, 1937
Minden Twp.....	Monday to Saturday, 11 p.m.	Nov. 27th, 1937
Gananoque Town (Oct. to May only).....	Monday to Saturday, 11 p.m.	Dec. 1st, 1937
Hearst Town.....	Monday to Saturday, 11 p.m.	Dec. 21st, 1937
Brussels Village.....	Monday to Saturday, 11 p.m.	Feb. 15th, 1938
Cobourg.....	Monday to Saturday, 11 p.m.	May 6th, 1938
Mount Forest.....	Monday to Saturday, 11 p.m.	May 11th, 1938
Tavistock.....	Monday to Saturday, 11.30 p.m.	June 20th, 1938
Oshawa.....	Cancelling May 26th, 1937	June 30th, 1938
Hanover.....	Monday to Saturday, 11 p.m.	Aug. 19th, 1938
Southampton.....	Monday to Saturday, 11 p.m.	Aug. 19th, 1938
Port Hope.....	Monday to Saturday, 11 p.m.	Sept. 30th, 1938
Erin.....	Saturday only, 11 p.m.	Oct. 21st, 1938
Delhi.....	Monday to Friday, 12 p.m. Saturday, 11.30 p.m.	Jan. 18th, 1939
Sutton.....	Monday to Saturday, 11.30 p.m.	June 15th, 1940
Rosseau.....	Monday to Saturday, 11 p.m.	July 16th, 1940
Parry Sound.....	Monday to Saturday, 11 p.m.	Aug. 12th, 1940
Bala.....	Monday to Saturday, 11 p.m.	Sept. 2nd, 1940
Douro Twp.....	Monday to Saturday, 10 p.m.	Feb. 25th, 1941

Mr. Arnott asked the following Question (No. 85):—

1. What was the total expenditure in connection with the Royal Commission which investigated the affairs of the Ontario Reformatory at Guelph following the riots of 1937. 2. What amounts were paid and to whom and for what services.

The Honourable the Provincial Secretary replied as follows:—

1. Total Cost.....	\$6,294.96
2. His Honour Judge J. Madden, Commissioner—	
Services.....	\$1,500.00
Expenses.....	162.60
	————— \$1,662.60
Mr. R. Bone—Legal Services.....	1,000.00
Mr. S. W. Brown—Reporting.....	1,917.65
Mr. J. G. Gillanders—	
Legal Services.....	\$1,500.00
Expenses.....	95.73
	————— 1,595.73
Sundries.....	118.98
	————— \$6,294.96

The above information is listed on Page Q-8, Public Accounts 1937.

Mr. Welsh asked the following Question (No. 88):—

1. How many physicians, senior assistant physicians, graduate medical internes, other medical internes and dentists were employed at the Psychiatric Hospital, Toronto, as of January 31st, 1941, and state in each case name, position held, salary, and if not in receipt of salary, stating honorarium or perquisites allowed in lieu thereof. 2. How many physicians from the Ontario Hospital staffs were on January 31st, 1941, attached to the staff of the Psychiatric Hospital, Toronto, for additional training or other purpose and give names and salaries. 3. What consultants were attached to the staff of the Psychiatric Hospital, Toronto, as of January 31st, 1941, also giving title and rate of salary, honoraria or other emolument in each case. 4. How many persons were employed at the Psychiatric Hospital, Toronto, as of January 31st, 1941, specifying: (a) Full-time employees; (b) Part-time employees and (c) Consultants. 5. What was the average number of patients in residence at the Psychiatric Hospital, Toronto, during the year ending January 31st, 1941. 6. How many Psychiatric Hospital employees are engaged in the out-patient clinic. 7. How many patients were treated in the out-patient clinic at the Psychiatric Hospital, Toronto, during the twelve months ended January 31st, 1941. 8. What was the average gross per capita cost and net per capita cost of maintaining a patient in the Psychiatric Hospital for the year ending March 31st, 1940.

The Honourable the Minister of Health replied as follows:—

1. (6) C. B. Farrar, Superintendent, \$5,000 per annum; J. G. Dewan,

Assistant Physician, \$1,700 per annum; M. Jackson, Assistant Physician, \$3,000 per annum; E. P. Lewis, Director Out-patient Department, \$4,400 per annum; J. M. Meiners, Senior Undergraduate Medical Interne, \$300 plus 3 meals per day; A. Whiteside, Medical Interne, \$120 plus 3 meals per day. 2. (9) Dr. Keith M. McGregor, Assistant Physician, \$2,400 per annum; Dr. Florence Nichols, Assistant Physician, \$2,400 per annum; Dr. Ernest G. Goddard, Assistant Physician, \$2,400 per annum; Dr. W. Wm. S. Campbell, Assistant Physician, \$2,400 per annum; Dr. G. C. Ferrier, Assistant Physician, \$2,400 per annum; Dr. Roger M. Billings, Assistant Physician, \$2,400 per annum; Dr. Earl V. Metcalfe, Assistant Physician, \$2,400 per annum; Dr. Gordon H. Lugsdin, Assistant Physician, \$2,400 per annum; Dr. Burdett H. McNeel, Assistant Physician, \$2,700 per annum. 3. G. Boyer, Consultant Neurologist and Instructor, \$10 per week; H. W. Johnston, Consultant in Gynaecology, \$10 per week; E. A. Linell, Consultant Neuropathologist, \$50 per month; W. H. Lowrey, Consultant and Instructor Ophthalmology, \$10 per week; K. G. McKenzie, Consultant in Neuro-Surgery, \$10 per week; C. Rae, Consultant Nose and Throat, \$10 per week; T. Owen, Part-time Medical Consultant, \$1,000 per annum. 4. (a) 65 full-time employees plus 4 Post-graduate student nurses (full time); (b) 3 part-time employees; (c) 6 Consultants. 5. (62). 6. (6). 7. 1,710. 8. Gross per capita cost, \$5.51; Net per capita cost, \$4.42.

The following Bills were severally read the second time:—

Bill (No. 1), An Act respecting the City of Ottawa.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 2), An Act to incorporate the Society of Industrial and Cost Accountants of Ontario.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 7), An Act respecting the Township of West Gwillimbury.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 13), An Act respecting Appleby School.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 50), An Act to amend The Highway Traffic Act.

Referred to the Committee on Municipal Laws.

Bill (No. 44), An Act to amend The Costs of Distress Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 45), An Act respecting Bailiffs.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 46), An Act to amend The Companies Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 47), An Act to amend The Summary Convictions Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 49), An Act respecting Business Brokers.

Referred to a Committee of the Whole House to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Department of Public Works for year ending March 31st, 1940. (*Sessional Papers No. 8.*)

Also, Report on the Distribution of the Sessional Statutes, 1940, from March 14th, 1940, to March 6th, 1941. (*Sessional Papers No. 30.*)

Also, Report of the Commission for the Investigation of Cancer Remedies for the year ending December 31st, 1940. (*Sessional Papers No. 44.*)

The House then adjourned at 4.50 p.m.

TUESDAY, MARCH 11TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Glass, from the Standing Committee on Standing Orders, presented their Third Report which was read as follows and adopted:—

Your Committee has carefully considered the following Petitions and finds the Notices as published in each case sufficient:—

Of the Corporation of the Township of Teck, praying that an Act may pass to permit the Township to assess the Temiskaming Telephone Company under Sections 12 and 13 of The Assessment Act, to control the type of buildings to be used for business purposes, and for other purposes.

Of the Corporation of the City of Sudbury, praying that an Act may pass validating a by-law of the Petitioners to impose a charge on certain citizens for the use of water from standpipes in the said City.

Your Committee recommends that Rule No. 63 of Your Honourable House be suspended in this that the time for introducing Private Bills be extended until and inclusive of Tuesday, the 18th day of March next.

Ordered, That the time for introducing Private Bills be extended until and inclusive of Tuesday, the 18th day of March next.

The following Bills were severally introduced and read the first time:—

Bill (No. 11), intituled, "An Act respecting the City of Toronto." *Mr. Strachan*.

Referred to the Committee on Private Bills.

Bill (No. 16), intituled, "An Act respecting the Board of Trustees of the Roman Catholic Separate Schools for the City of Toronto." *Mr. Strachan*.

Referred to the Committee on Private Bills.

Bill (No. 20), intituled, "An Act respecting the Township of Teck." *Mr. Cooper*.

Referred to the Committee on Private Bills.

Bill (No. 21), intituled, "An Act respecting the City of Sudbury." *Mr. Cooper*.

Referred to the Committee on Private Bills.

Bill (No. 57), intituled, "An Act to amend The Jurors Act." *Mr. Strachan*.

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 58), intituled, "An Act to amend The Venereal Diseases Prevention Act." *Mr. Kirby*.

Ordered, That the Bill be read a second time to-morrow.

Mr. Acres asked the following Question (No. 22):—

1. How many hogs were lost in 1940 at the Ontario Agricultural College at Guelph as a result of hog cholera. 2. What was their value. 3. When was the outbreak of cholera detected and when was it brought under control.

The Honourable the Minister of Agriculture replied as follows:—

1. 239. 2. \$7,000. 3. First detected September 14th, 1940. Brought under control September 30th, 1940.

Mr. Acres asked the following Question (No. 26):—

1. What was the total expense to the Province of Ontario involved in delivery of the Clydesdale stallion, Craigie Realization, at the Ontario Agricultural College, including purchase price and all transportation and other charges relating to delivery of the animal. 1. When did the animal arrive at the Ontario Agricultural College. 3. When did he die. 4. Has the Government any information as to his progeny, and if so, what is the number thereof. 5. How many of his progeny are now owned by the Province and where are they located.

The Honourable the Minister of Agriculture replied as follows:—

1. \$3,082.00. 2. April, 1935. 3. June, 1940. 4. Twenty-seven foals. 5. Eight—at the Ontario Agricultural College, Guelph.

Mr. Acres asked the following Question (No. 63):—

1. Does the Department of Agriculture carry insurance covering public liability and property damage risks on automobiles owned by the Province of Ontario and operated in connection with activities of the Department of Agriculture. 2. If so, what, on December 31st, 1940, were the names of the companies carrying the insurance, the amounts of the policies, the premiums paid with respect to each policy and the names and addresses of the agents through which the insurance was placed. 3. How many automobiles are covered by such policies.

The Honourable the Minister of Agriculture replied as follows:—

1. Yes. 2. The insurance was carried with Lloyd's of London. Legal Liability, \$10,000 to \$20,000 limits; Property Damage, \$1,000 limit. Premium for the year January 1st, 1940, to December 31st, 1940, \$750.56; Agent—Anglo-Canadian Underwriters, Limited, 80 Richmond St. W., Toronto; Sub-Agent—Tomenson, Saunders, Smith and Garfat, 12 Wellington St. East, Toronto. 3. 64 cars and 10 trucks.

Mr. Frost asked the following Question (No. 84):—

1. Who were the members of the Milk Control Board in each of the fiscal years ending March 31st, 1938, 1939 and 1940. 2. During the same fiscal years, what was each member paid: (a) By way of salary, honorarium or other allowance; (b) By way of travelling and other expenses. 3. In each of the fiscal years mentioned in (1), how many legally constituted meetings of the Board have been held.

The Honourable the Minister of Agriculture replied as follows:—

Members	Salaries 1938	Honor- ariums	Travelling Expenses	Meetings
J. E. Houck, Chairman.....	\$4,500.00		\$ 61.73	
J. S. Beck, Member.....	3,737.50		92.11	
J. A. MacFeeters, Member.....		\$2,325.00	15.25	663
J. B. Nelson, Secretary.....	2,641.67		58.13	

Members	Salaries	Honor- ariums	Travelling Expenses	Meetings
	1939			
J. E. Houck, Chairman (1 month)	350.00			
C. M. Meek, Chairman (10¾ months).....	4,028.23		391.45	
J. S. Beck, Member.....	3,750.00		89.14	
J. A. MacFeeters, Member.....		360.00	6.35	1,049
E. Kitchen, Member.....		212.50		
J. B. Nelson, Secretary.....	2,650.00		163.79	
	1940			
C. M. Meek, Chairman.....	4,500.00		473.72	
J. S. Beck, Member.....	3,750.00		26.15	749
E. Kitchen, Member.....		1,300.00		
J. B. Nelson, Secretary.....	2,650.00		231.45	

The Order of the Day for resuming the Adjourned Debate on the Amendment to the Motion for consideration of the Speech of The Honourable the Lieutenant-Governor at the opening of the Session, having been read,

The Debate was resumed and, after some time, it was, on the motion of Mr. Oliver,

Ordered, That the Debate be adjourned until Thursday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Department of Health, Ontario, 1940. (*Sessional Papers No. 14.*)

Also, Report of the Minister of Public Welfare, Province of Ontario, for fiscal year 1939-1940. (*Sessional Papers No. 19.*)

Also, Report of the Ontario Athletic Commission for the period from April 1st, 1939, to March 31st, 1940. (*Sessional Papers No. 35.*)

The House then adjourned at 5.40 p.m.

WEDNESDAY, MARCH 12TH, 1941

PRAYERS.

3 O'CLOCK P.M.

On Motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That this House will on Friday next resolve itself into the Committee of Supply.

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That this House will on Friday next resolve itself into the Committee on Ways and Means.

The following Bills were severally introduced and read the first time:—

Bill (No. 59), intituled, "An Act respecting British Child Guests." *Mr. Hipel.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 60), intituled, "An Act to amend The Northern Development Act." *Mr. Dewan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 61), intituled, "An Act to amend The Railway Act." *Mr. Brown-ridge.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 62), intituled, "An Act to amend The Agricultural Representatives Act." *Mr. Dewan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 63), intituled, "An Act to amend The Milk and Cream Act." *Mr. Dewan.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Murphy asked the following Question (No. 25):—

1. What individuals or organizations recommended the founding of Ipperwash Park in the County of Lambton. 2. Who acted as valuator for the Government in the purchase of the land. 3. Aside from the purchase price of \$10,000

what amount has been spent on Ipperwash Park by way of: (a) Capital expenditure; (b) Ordinary expenditure. 4. What improvements have been placed on the property by the Government. 5. What staff are employed at the Park, stating: (a) Name; (b) Date appointed; (c) Whether temporary, permanent or seasonal; (d) Salary or wage rates. 6. Who is the Superintendent of the Park, when was he appointed and what is his salary. 7. What Department of the Government is concerned with administering the affairs of the Park.

The Honourable the Minister of Lands and Forests replied as follows:—

1. The late M. D. McVicar, M.L.A., Ross Gray, M.P., Wm. Guthrie, M.P.P. Petitions from over one thousand citizens representing forty-six different communities of Southwest Ontario and resolution dated March 5th, 1934, by the Municipal Corporation of the Township of Bosanquet renewing a previous resolution of the said Corporation dated October 3rd, 1932. 2. J. L. Morris, C.E., D.E. 3. (a) Capital, \$14,699.13; (b) Ordinary, \$7,938.87. 4. 1937-38—Improvement to roads including rock fill where creek cut through beach at west approach to bridge, rebuilt old bridge; Installed twenty picnic tables; Underbrushing and thinning northern portion of property now comprising picnic grounds and camping area; Construction of modern lavatory equipped with wash basins; Drainage northern area. 1938-39—Installed lighting system throughout Park; Buildings: Store with living quarters above, picnic pavilion, office with living quarters for caretaker; Tile drained central area; Graded camping area and leveled sand dune to east of camping area using fill in low areas to central section; Planted 30,000 trees in southwest corner of Park. 1939-40—Built garage and workshop; Complete water system with pump house to east of camping area and water mains running to all buildings and public water taps at convenient points installed; Roads improved, banks cut down; Filled in area west of west traffic road; Built retaining wall; Planted 4,500 large trees in sand dunes west of creek. 5. (a) Norman Moody; (b) 10th June, 1938; (c) Temporary; (d) \$2.50 per diem. 6. No permanent superintendent. Fred Malloy on temporary basis at \$4.00 per diem during tourist season. 7. Department of Lands and Forests.

Mr. Summerville asked the following Question (No. 37):—

Has the Hydro-Electric Power Commission purchased any power plants since 1937, and if so give particulars in each case as to: (a) Installed capacity; (b) Price paid; (c) Kilowatt hour capacity in normal year and normal capacity; (d) Date of construction; (e) Location; (f) Date of purchase.

The Honourable the Prime Minister replied as follows:—

No power plants have been purchased since 1937.

Mr. Challies asked the following Question (No. 42):—

1. What is the estimated cost of the new development at Barrett Shute on the Madawaska River, exclusive of storage facilities. 2. What is the estimated

cost of storage facilities. 3. What is the proposed installed horse-power of the plant. 4. What is the estimated maximum capacity of the plants at normal efficiency with spare equipment. State amount of latter. 5. What is the average annual horse-power capacity of plant in a normal year, utilizing the storage above named in (2). 6. What is the estimated annual load factor of plant utilizing the water available in a normal year in the most economical manner.

The Honourable the Prime Minister replied as follows:—

1. \$5,304,000.00. 2. \$1,754,000.00. 3. 54,000 electrical horse-power. 4. 54,000 horse-power including spare equipment of 5,000 horse-power. 5. 32,500 horse-power. 6. 60%.

Mr. Challies asked the following Question (No. 43):—

What is the total horse-power exported or sold each month to persons or corporations in the United States, giving names in each case with point of delivery, by the Hydro-Electric Power Commission of Ontario during each of the years 1939 and 1940; (a) Peak horse-power; (b) Kilowatt hours; (c) Price per horse-power.

The Honourable the Prime Minister replied as follows:—

TOTAL POWER EXPORTED AT THE INTERNATIONAL BOUNDARY

	(a) Peak Horse-power	(b) Kilowatt- hours	(a) Peak Horse-power	(b) Kilowatt- hours
	1939		1940	
January.....	170,375	74,836,270	181,367	53,408,211
February.....	170,375	68,475,200	166,488	51,558,577
March.....	166,890	71,412,600	164,611	58,789,203
April.....	208,713	60,293,500	219,571	78,902,448
May.....	225,871	75,736,731	222,788	96,773,503
June.....	234,316	76,749,486	225,335	96,541,158
July.....	223,190	72,456,800	226,005	107,801,611
August.....	224,263	87,335,700	247,453	101,960,918
September.....	220,241	72,453,700	261,930	98,945,380
October.....	204,290	57,171,600	199,598	76,377,960
November.....	157,775	63,732,600	237,131	95,025,880
December.....	183,440	54,201,222	253,217	106,211 817

NOTE:—In January, 1938, with the collapse of the Upper Steel Arch Bridge at Niagara Falls, the Canadian Niagara Power Company lost their export connections at this point, and to assist the company the Commission exported over its own transmission facilities and its own surplus export license a total of 84,363,800 Kilowatt-hours for the Canadian Niagara Power Company not included in the above tabulation.

Prior to December 29th, 1939, all export power went to the Niagara Hudson Power Corporation, or its subsidiaries. On December 29th, 1939, deliveries were commenced at Cornwall to the Cedars Rapids Transmission Company, Ltd., for export to the Aluminum Company of America at Massena, New York.

(c) For firm export of 45,000 kilowatts (60,322 horse-power), the price is \$12.50 (U.S. funds) per horse-power per year up to 40,000 kilowatts, and 2.5 mills (U.S. funds) per kilowatt-hour for all energy between 40,000 and 45,000 kilowatts. For surplus power exported at the Niagara River, exclusive of the power exported for the Canadian Niagara Power Company, the Commission received during 1939 and 1940 an average net value (gross revenue less export tax), equivalent in Canadian funds to 1.07 mills per kilowatt-hour. For export deliveries at Cornwall the price is \$14.50 (Canadian funds) per horse-power per year plus 2.47 mills (Canadian funds) per kilowatt-hour for energy in excess of 90 per cent load factor, plus payment of export tax on energy.

Mr. Welsh asked the following Question (No. 46):—

1. On December 31st, 1940, how many patients were in residence at the Ontario Hospital at Langstaff, formerly commonly known as the Toronto Gaol Farm for Men. 2. Are both male and female patients treated at the Ontario Hospital, Langstaff, and if so specify number of each sex as of December 31st, 1940. 3. What alterations and repairs were necessary to convert the buildings and plant at the Toronto Gaol Farm, Langstaff, into a mental hospital, specifying: (a) Nature of repairs and alterations; (b) Name of contractor or contractors making such repairs and alterations; (c) Amount paid each contractor with respect to each contract; (d) Total cost of repairs and alterations performed on day labour or other basis aside from contracts. 4. What furniture and furnishings, and equipment, was purchased with respect to the Ontario Hospital at Langstaff, specifying: (a) General description of furniture and furnishings, and equipment; (b) Names of persons supplying furniture, furnishings and equipment with amount paid to each. 5. Were repairs and alterations and supplying of furniture, furnishings and equipment on a competitive tender basis. 6. Who is the Superintendent of the Ontario Hospital at Langstaff, stating salary and date of appointment. 7. Who is the Steward at the Ontario Hospital at Langstaff, stating date of appointment, salary and particulars of former office and business experience. 8. How many persons are employed on the staff of the Ontario Hospital at Langstaff. 9. What disposition was made of the staff of the former Toronto Gaol Farm for Men at Langstaff giving names and particulars in each case.

The Honourable the Minister of Health replied as follows:—

1. 327. 2. Male only. 3. (a) Installation of window guards and repairing electric pole line; repairs to heating equipment; (b) Lundy Fence Company, Hydro-Electric Power Commission; (c) Lundy Fence Company, \$1,761.00, Hydro-Electric Power Commission, \$106.31; (d) None. 4. The agreement with the City of Toronto provided for the Province to take over and use all the items of general equipment, furnishings, tools, etc., in use at the Farm and to return such goods or equal value at the termination of the agreement. (a) Grates, jacket for Gothic Heater, repairs to Gurney Water Heater, grates for boiler,

chairs, lamps, tables, wardrobes, dressers, radio, rugs and curtains. (b) Boiler furnaces and stove parts, \$133.13; Robert Simpson Co., Ltd., \$59.65; T. Eaton Co., Ltd., \$305.65; Canadian General Electric Co., \$24.95; Gordon MacKay, Ltd., \$53.75. 5. Tenders invited for supplying and erection of window guards. Electrical work carried out by the Hydro Commission on the basis of their estimate. Items of furnishings and equipment were of a minor nature and were selected and purchased direct on this account. 6. Dr. T. D. Cumberland who is also superintendent of Ontario Hospital, New Toronto; annual salary for two positions, \$5,600 less perquisites; appointed July 1st, 1913. 7. Mr. K. M. Pack, appointed as Steward February 1st, 1940; \$1,800 per annum less perquisites; appointed to Department of Lands and Forests July 3rd, 1931, transferred to Department of Health, Ontario Hospital, Woodstock, as Clerk, March 1st, 1936, and transferred to Ontario Hospital, St. Thomas, as Clerk, May 1st, 1939. 8. 57.

9.

PERMANENT STAFF

Name	Position	Disposition	Present Salary
Basher, G. H.	Superintendent	Enlisted—and on leave.	
Armstrong, A.	Sergeant	Transferred Toronto Gaol	\$1,900.00
Armstrong, K.	Guard	Salary paid to November 20th, 1939. Dispensed with services.	
Bennett, A.	Guard	Salary paid to November 20th, 1939. Dispensed with services.	
Bennett, R.	Guard	Transferred Ontario Reformatory, Mimico; later, enlisted—and on leave.	
Clarke, W. B.	Guard	Transferred Toronto Gaol	\$1,500.00
Cooper, R. S.	Clerk of Records	Transferred Toronto Gaol	\$1,680.00
Creighton, E.	Guard	Transferred Industrial Farm, Burwash. Resigned December 31st, 1939.	
Cuttance, R.	Guard	Transferred Ontario Hospital, Langstaff	\$1,500.00
Glover, J. A.	Guard	Enlisted—and on leave.	
Harrison, F. W.	Guard	Transferred Ontario Hospital, Langstaff. Resigned January 16th, 1940.	
Henry, J. P.	Guard	Enlisted—and on leave.	
Holmes, R.	Engineer	Transferred Ontario Hospital, Langstaff	\$2,123.16
Hull, G.	Guard	Transferred Ontario Hospital, Langstaff	\$900.00
Jacobs, S. W.	Guard	Enlisted—and on leave.	
Johnston, J. W.	Guard	Transferred Ontario Reformatory, Mimico; later, enlisted—and on leave.	
Kidd, E. H.	Guard	Transferred Ontario Hospital, Langstaff. Resigned May 4th, 1940.	
Leece, C. F.	Guard	Transferred Toronto Gaol	\$1,500.00
Maguire, R.	Guard	Retired on pension.	
Mathews, A. T.	Guard	Transferred Toronto Gaol	\$1,500.00
Mitchell, E. J.	Guard	Transferred Toronto Gaol	\$1,500.00
McComb, A.	Guard	Transferred Ontario Reformatory, Mimico. Services unsatisfactory— dismissed October 23rd, 1939.	
McComb, I.	Guard	Employed Toronto Gaol, May 3rd, 1940, to July 2nd, 1940. Appointed Tem- porary staff, Toronto Gaol, August 21st, 1940.	\$1,500.00
McLean, Dr. G. D.	Surgeon	Retired to private practice. Salary paid to November 20th, 1939.	
Quantz, E. P.	Farm Foreman	Retired on pension.	
Reid, J.	Night Sergeant	Transferred Toronto Gaol	\$1,650.00
Sackfield, H.	Guard	Transferred Ontario Hospital, Langstaff	\$1,500.00
Suter, H.	Guard	Transferred Ontario Hospital, Langstaff	\$1,125.00
Tyndall, W.	Guard	Retired on pension.	
Woodhead, S. T.	Guard	Transferred Toronto Gaol	\$1,500.00

TEMPORARY STAFF

Name	Position	Appointed	Disposition	Present Salary
Allan, A. L.	Temporary Guard	Sept. 12th, 1939	Salary paid to November 20th, 1939. Dispensed with services.	
Doyle, J. M.	Temporary Guard	May 8th, 1939	Salary paid to November 20th, 1939. Dispensed with services.	
Foreman, D. J.	Temporary Guard	Nov. 5th, 1936	Transferred Industrial Farm, Burwash. (Unfit medically, January 31st, 1940.) Dispensed with services.	
Holden, P.	Temporary Guard	Apr. 24th, 1939	Transferred Ontario Hospital, Langstaff.	\$1,050.00
Johnston, E. H.	Temporary Guard	July 22nd, 1939	Salary paid to November 20th, 1939. Dispensed with services.	
Kerr, J.	Temporary Guard	Oct. 31st, 1936	Transferred Ontario Hospital, Langstaff. Resigned May 4th, 1940.	
Metcalf, B. E.	Temporary Guard	Sept. 22nd, 1939	Transferred Provincial Secretary's Dept., Oct. 22nd, 1939.	\$1,200.00
MacIntyre, A. A.	Chef-Guard.	Mar. 1st, 1938	Transferred Ontario Training School for Boys, Bowmanville.	\$1,200.00
McHale, W.	Temporary Guard	May 5th, 1937	Transferred Industrial Farm, Burwash; later, Toronto Gaol.	\$1,500.00
Risebrough, R.	Temporary Guard	Mar. 24th, 1937	Transferred Industrial Farm, Burwash. Resigned May 9th, 1940.	

Mr. Black asked the following Question (No. 69):—

1. In cases of deaths of patients in Ontario Hospitals, is it the practice to call a Coroner. 2. Since November 1st, 1934, in how many cases have Coroners been called to Ontario Hospitals in connection with deaths of patients. 3. What is the total amount paid since November 1st, 1934, to Coroners in connection with their visits to Ontario Hospitals in relation to deaths of patients. 4. Since November 1st, 1934, how many Coroners' inquests have been held in relation to deaths of patients in Ontario Hospitals.

The Honourable the Attorney-General replied as follows:—

1. Yes. 2. 4,363. 3. \$22,291.00. 4. 28.

Mr. Doucett asked the following Question (No. 74):—

1. Was Mr. A. N. Middleton, Public Trustee, superannuated, and if so, when. 2. Who is his successor. 3. When was he appointed. 4. What is his salary. 5. What are his special qualifications for the position. 6. How many employees are on the staff in the office of the Public Trustee. 7. What was the total cost of operating the office of the Public Trustee in the fiscal years ending March 31st, 1938, March 31st, 1939, and March 31st, 1940. 8. On December

31st, 1940, how many estates of Ontario Hospital patients were being administered by the Public Trustee. 9. How many estates or matters, other than estates of mental hospital patients, were being administered by the Public Trustee on December 31st, 1940.

The Honourable the Attorney-General replied as follows:—

1. Mr. A. N. Middleton applied for superannuation under Section 26, Subsection 1 (d) of The Public Service Act. This was granted effective from April 30th, 1940. 2. Armand Racine, K.C. 3. October 1st, 1940. 4. Seven thousand dollars (\$7,000) per annum. 5. Mr. Racine has been a barrister and solicitor for 20 years. He was appointed one of His Majesty's counsel learned in the law in the year 1934. He has enjoyed a large practice as counsel and as a solicitor. 6. Permanent—33; Temporary—2; Total 35 as of March 1st, 1941. 7. Fiscal year ending March 31st, 1938—\$63,731.96; Fiscal year ending March 31st, 1939—\$67,830.03; Fiscal year ending March 31st, 1940—\$66,711.58. 8. 2,599 estates. 9. 2,292 estates.

Mr. Reynolds asked the following Question (No. 90):—

1. Why was the property known as "Camp Scholfeld" located near Bowmanville offered for sale by the Government. 2. What tenders, if any, were received by the Government for purchase of the property, specifying name of each tenderer and price tendered. 3. Has the property been sold and if so to whom and for what amount. 4. In the deed of gift of the property from the late H. C. Scholfeld to the Government, were any conditions attached as to the use to be made of the property and as to proceeds of sale should the property be sold and, if so, what were the conditions. 5. What present summer camp facilities are used for the inmates of the Boys' School at Bowmanville.

The Honourable the Provincial Secretary replied as follows:—

1. Expensive to maintain: Upkeep of 10 buildings, and a large dining hall, plumbing, power, fuel, bedding, athletic equipment, dishes, etc.; Paying and maintaining of Counsellors to supplement permanent staff; Wages, fuel and food for caretaker for ten months; Gas, oil and upkeep of vehicles used in transport of boys and supplies to and from the main school. The opening of camp meant dividing staff and virtually running two institutions. On April 7th, 1938, the Dining Hall at Camp, together with the equipment stored therein, was completely demolished by fire. 2. The property was advertised for sale in the Globe and Mail, the Evening Telegram of Toronto and the Canadian Statesman of Bowmanville, on June 5th, 1940. McArthur and Company, Toronto, acting for E. A. Craig, \$1,500.00; Ivan M. Hobbs, Bowmanville, \$500.00. 3. Sold to the highest bidder, E. A. Craig, for \$1,500.00. 4. No conditions. 5. Rather than rebuild the Camp it was decided to try a "Summer School" amid the beautiful surroundings of the main School property. The younger children were particularly well provided for with an interest programme in a natural park at a bend in the creek. A dam was constructed by the boys which insured warm water for swimming all season. (At the lake the water was seldom warm enough for swimming during the month of July.) All boys in addition to the maintenance

work of the School participate in a well-organized Summer programme consisting of sports, organized games, and swimming. Boys with satisfactory conduct records are given a Summer vacation to their homes.

The House resolved itself into a committee, severally to consider the following Bills:—

Bill (No. 1), An Act respecting the City of Ottawa.

Bill (No. 2), An Act to incorporate the Society of Industrial and Cost Accountants of Ontario.

Bill (No. 7), An Act respecting the Township of West Gwillimbury.

Bill (No. 13), An Act respecting Appleby School.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the several Bills without Amendments.

The House resolved itself into a Committee to consider Bill (No. 37), An Act to amend The Judicature Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report progress, and to ask for leave to sit again.

Resolved, That the Committee have leave to sit again to-morrow.

The House resolved itself into a Committee to consider Bill (No. 40), An Act to amend The Partnership Registration Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 42), An Act to amend The Real Estate Brokers Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 43), An Act to amend The Conditional Sales Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 44), An Act to amend The Costs of Distress Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 45), An Act respecting Bailiffs, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 46), An Act to amend The Companies Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 47), An Act to amend The Summary Convictions Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The Order of the Day for resuming the Adjourned Debate on the Amendment to the Motion for consideration of the Speech of The Honourable the Lieutenant-Governor at the opening of the Session, having been read,

The Debate was resumed and, after some time, it was, on the motion of Mr. Oliver,

Ordered, That the Debate be adjourned until to-morrow.

The House then adjourned at 4.40 p.m.

THURSDAY, MARCH 13TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Elliott, from the Standing Committee on Private Bills, presented their Second Report which was read as follows and adopted:—

Your Committee beg to report the following Bills without amendment:—

Bill (No. 3), An Act respecting the London Street Railway Company and The Corporation of the City of London.

Bill (No. 4), An Act respecting the Rockwood Town Hall.

Bill (No. 6), An Act respecting the City of Port Arthur and the Public Utilities Commission of Port Arthur.

Your Committee beg to report the following Bills with certain amendments:—

Bill (No. 8), An Act respecting the Village of Swansea.

Bill (No. 19), An Act respecting the City of Windsor.

Your Committee would recommend that the fees less the penalties, if any, and the actual cost of printing be remitted on Bill No. 4, An Act respecting the Rockwood Town Hall, on the ground that it relates to a charitable institution.

Ordered, That the fees less the penalties, if any, and the cost of printing, be remitted on Bill (No. 4), An Act respecting the Rockwood Town Hall, on the ground that it relates to a charitable institution.

The following Bills were severally introduced and read the first time:—

Bill (No. 64), intituled, "An Act to amend The Mining Act." *Mr. Laurier.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 65), intituled, "An Act to provide for the Suspension of Grand Juries during the Present War." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Acres asked the following Question (No. 28):—

1. Has the Government any information respecting an epidemic of hog cholera in the western part of the Province during the year 1940. 2. If so:

(a) What measures were taken by the Government in the matters of localizing and checking the epidemic; (b) How many hogs were affected and destroyed; (c) What was the approximate value of the hogs destroyed; (d) Has any measure of compensation been granted by the Government to hog owners and, if so, give particulars.

The Honourable the Minister of Agriculture replied as follows:—

1. Yes. 2. (a) Epidemics such as hog cholera and any work in connection with health of animals is specifically the responsibility of the Health of Animals Branch of the Dominion Department of Agriculture, Ottawa. Though the Provincial Government has no definite control, yet officers of the Ontario Department of Agriculture in the Counties where hog cholera existed co-operated not only with the farmers but also with the officials of the Dominion Health of Animals Branch. The losses in some sections were so severe and the complaints coming into local provincial offices so numerous that the Ontario Department of Agriculture requested a conference with the Federal officer in charge. As a result local organization was effected which made the control much more efficient. The Ontario Department also inserted an advertisement in the press advising producers of hogs who had not already become affected the policy which they should adopt in order to protect themselves. (b) No information. (c) No information. (d) Compensation is granted under the rules and regulations of the Federal Department of Agriculture.

Mr. Acres asked the following Question (No. 66):—

1. Since April 1st, 1935, what Cold Storage Warehouses, Co-operative or otherwise, have received assistance from the Province of Ontario by way of loans or grants. 2. Where are they located. 3. What is their capacity in each case. 4. What grants or loans were made to each by the Province. 5. What are the names of the Managers of the enterprises in each case. 6. In what cold storage plants or warehouses which have received provincial assistance by way of grant or loan is a locker system in use whereby individuals may store meats, vegetables, etc., in individual lockers or compartments.

The Honourable the Minister of Agriculture replied as follows:—

Name	Location	Capacity	Loan	Name of Manager	Locker System
Aldershot Distributing Co-operative Company Ltd..	Aldershot	60,000 hampers	\$47,160	W. O. Galloway	Yes
Elgin Growers Co-operative Limited.....	St. Thomas	42,000 "	27,500	W. B. Blewett	Yes
Georgian Bay Fruit Growers Limited.....	Thornbury	75,000 "	6,000	Geo. Mitchell	Yes
Middlesex Growers Co-operative Limited.....	Strathroy	30,000 "	9,000	C. S. Wilkie	No
Oxford Fruit Co-operative Limited.....	Woodstock	50,000 "	5,000	Geo. Laird	Yes
Kent Fruit Growers Co-operative Limited.....	Blenheim	20,000 "	12,000	Jas. Slocombe	No

Mr. Downer asked the following Question (No. 80):—

1. What appointments have been made in the Criminal Investigation Branch of the Ontario Provincial Police since the present Government took office, stating: (a) Name of appointee; (b) Date of appointment; (c) Salary; (d) Official title; (e) Indicating whether by promotion or outside appointment.

The Honourable the Attorney-General replied as follows:—

(a)	(b)	(c)	(d)	(e)
Name of Appointee	Date of Appointment	Salary	Official Title	Promotion or or Outside Appointment
Miller, John (retired on superannuation April 23rd, 1938)	Mar. 15, 1935	\$4,000 per annum	Senior Inspector, C.I.B.	Promotion
Boyd, Albert B. (retired on superannuation June 1st, 1940)	Dec. 1, 1938	3,600 per annum	Acting Chief Inspector, C.I.B.	Promotion
McCready, Herbert S.	May 21, 1940	3,500 per annum	Deputy Commissioner	Outside (Tor. City Police)
Ward, Albert H. . . .	Feb. 1, 1941	3,200 per annum	Chief Inspector, C.I.B.	Promotion
Lougheed, Wm. H. . .	June 1, 1937	3,000 per annum	Inspector, C.I.B.	Promotion
MacKay, George. . . .	June 1, 1937	2,400 per annum	Inspector, C.I.B.	Promotion
Wilson, Alex. S. . . .	Nov. 1, 1939	2,400 per annum	Inspector, C.I.B.	Promotion
Noakes, Harry.	May 1, 1940	2,400 per annum	Inspector, C.I.B.	Promotion

Mr. Kennedy asked the following Question (No. 91):—

1. Since April 1st, 1935, how many Magistrates have ceased to hold office, and indicate: (a) Name of Magistrate, address; (b) Jurisdiction; (c) Date of cessation of duties; (d) Rate of remuneration; (e) Indicating whether dismissed, requested to resign, resigning voluntarily, superannuated, deceased or as the case may be; (f) Reason for dismissals or requested resignations. 2. Since April 1st, 1935, how many Magistrates have been appointed by the Government, and indicate: (a) Name of Magistrate, address; (b) Jurisdiction; (c) Date of appointment; (d) Rate of remuneration.

The Honourable the Attorney-General replied as follows:—

1. Name of Magistrate and Address	(a)	(b) Jurisdiction	(c) Date of Cessa- tion of Duties	(d) Rate of Remu- nera- tion	(e) Dismissed or	(f) Reason
T. W. Scandrett, London.....		Province (Appointed City of London)	Dec. 14, 1935	\$5,000.00	Dismissed	Services unsatisfactory
J. J. J. Weir, Kitchener.....		Province	Dec. 1, 1935	3,000.00	Deceased	
E. W. Cross, Simcoe.....		Province	Dec. 10, 1935	3,000.00	Voluntarily Resigned	
D. J. McDonnell (Deputy), Cornwall.....		Province	Oct. 15, 1935	1,500.00	Deceased	
E. S. Livermore, St. Thomas.....		Province	Oct. 14, 1936	3,500.00	Voluntarily Resigned	
W. E. Kelley, Simcoe.....		Province	May 27, 1937	3,000.00	Voluntarily Resigned	Transferred to Crown Attorney
A. A. Winter, Simcoe.....		Province	Dec. 4, 1939	3,000.00	Deceased	
D. Davidson (Deputy), Mimico.....		Province	Feb. 1, 1937	2,500.00	Deceased	
L. J. C. Bull, Brampton.....		Province	Feb. 28, 1938	3,000.00	Dismissed	Services unsatisfactory
J. Cowan, Toronto.....		Province (Appointed City of Toronto)	May 11, 1938	6,000.00	Dismissed	Conduct unbecoming a Magistrate
T. O'Connor, Toronto.....		Province (Appointed City of Toronto)	June 1, 1936	6,000.00	Voluntarily Resigned	
J. T. Kirkland, Almonte.....		Province	Apr. 7, 1938	3,000.00	Deceased	
J. E. Jones, Toronto.....		Province (Appointed City of Toronto)	May 31, 1938	6,000.00	Resignation Requested	Due to Age—72
J. A. Shea, Kingston.....		Province	Jan. 1, 1940	3,000.00	Voluntarily Resigned	Appointed Judge
F. W. Major, Gore Bay.....		Province	May 16, 1940	1,800.00	Deceased	
W. A. Smith, Kingsville.....		Province	Dec. 16, 1940	2,000.00	Deceased	
M. D. McCrimmon, St. Thomas.....		Province	Oct. 19, 1940	3,500.00	Deceased	
J. McCormick, Winchester.....		Province	Nov. 1, 1940	2,500.00	Resignation Requested	Due to Age and Ill Health—77
J. A. Kinney, Kenora.....		Province	Mar. 31, 1936	2,500.00	Dismissed	Services unsatisfactory

2.	(a) Name of Magistrate and Address	(b) Jurisdiction	(c) Date of Appointment	(d) Rate of Remuneration	Remark
	D. B. Menzies, London.....	Provincial (Appointed for City of London)	Dec. 15, 1935	\$5,000.00	
	W. E. Kelly, Simcoe.....	Provincial	Dec. 10, 1935	3,000.00	Resigned May 27, 1937
	P. C. Bergeron, Cornwall.....	Provincial	Oct. 15, 1935	3,000.00	
	J. Cowan, Toronto.....	Provincial (Appointed for City of Toronto)	June 1, 1936	6,000.00	Dismissed May 11th, 1938
	M. D. McCrimmon, St. Thomas.....	Provincial	Oct. 14, 1936	3,500.00	
	A. A. Winter, Simcoe.....	Provincial	May 27, 1937	3,000.00	Deceased October 19, 1940
	W. F. Woodliffe, Brampton.....	Provincial	May 19, 1937	3,000.00	Deceased December 4, 1939
	F. C. Gullen, Toronto.....	Provincial (Appointed for City of Toronto)	May 16, 1938	5,000.00	
	L. C. Prentice, Toronto.....	Provincial (Appointed for City of Toronto)	June 1, 1938	5,000.00	
	R. Forsyth, Toronto.....	Provincial (Appointed for City of Toronto)	June 1, 1938	5,000.00	
	R. Thomas (Deputy), Bracebridge.....	Provincial	Jan. 17, 1938	1,500.00	
	D. C. Smith, Smith's Falls.....	Provincial	May 10, 1938	3,000.00	
	J. B. Garvin, Kingston.....	Provincial	Jan. 15, 1940	3,000.00	
	W. J. Golden, Little Current.....	Provincial	Aug. 1, 1939	1,200.00	
	E. D. Smith, St. Thomas.....	Provincial	Nov. 2, 1940	3,000.00	
	R. G. Groom, Tillsonburg.....	Provincial	Feb. 1, 1941	3,000.00	
	Judge D. O'Connell, Toronto.....	Provincial	Mar. 1, 1936	1,200.00	Senior Magistrate—District No. 6
	J. McEwan, Sault Ste. Marie.....	Provincial	Nov. 1, 1939	2,000.00	
	W. M. Cooper, Sudbury.....	Provincial	Apr. 1, 1936	3,000.00	

APPOINTMENTS PRO TEMPORE—RELIEVING FOR MILITARY SERVICE, ILLNESS AND VACATIONS

2.	(a) Name of Magistrate and Address	(b) Jurisdiction	(c) Date of Appointment	(d) Rate of Remuneration	Remarks
	G. Longman, Barrie.....	Provincial	May 15, 1937	\$15.00 (per diem)	Part time or relieving Magistrate to replace full time Magistrates on vacation or ill
	R. Hossack, Toronto.....	Provincial	Dec. 14, 1939	Nil	Appointed Magistrate to complete jurisdiction as Juvenile Court Judge
	H. S. Mott, Toronto.....	Provincial	Jan. 23, 1940	Nil	Appointed Magistrate to complete jurisdiction as Juvenile Court Judge
	H. R. Polson, Toronto.....	Provincial	May 17, 1939	Nil	Appointed Magistrate to facilitate work as Assistant Inspector of Legal Offices
	H. S. McCready, Toronto.....	Provincial	Sept. 18, 1940	Nil	Appointed Magistrate to facilitate work, issuing warrants, etc., as Dep. Commr. Provincial Police
	A. H. Lief, Ottawa.....	Provincial	Dec. 1, 1939	3,000.00	Relieving Magistrate Clayton on Military Service
	T. M. J. Galligan, Pembroke.....	Provincial	Aug. 6, 1940	2,500	Relieving Magistrate MacGregor on Military Service
	J. P. Madden, Ottawa.....	Provincial	May 31, 1940	15.00 (per diem)	Part time or relieving Magistrate to replace full time Magistrates on vacation or ill
	J. C. M. German, Toronto.....	Provincial	Jan. 31, 1940	20.00 (per diem)	Part time or relieving Magistrate to replace full time Magistrates on vacation or ill
	S. C. Platus, Timmins.....	Provincial	July 9, 1940	15.00 (per diem)	Part time or relieving Magistrate to replace full time Magistrates on vacation or ill
	M. G. Gould, North Bay.....	Provincial	June 20, 1938	15.00 (per diem)	Part time or relieving Magistrate to replace full time Magistrates on vacation or ill
	A. Bond, Toronto.....	Provincial	Nov. 3, 1938	Nil	Deceased April 7, 1940
	R. J. Gillen, Brantford.....	Provincial	Oct. 1, 1940	3,000.00	Relieving S. A. Jones on six months' leave of absence
	Col. A. E. Kirkpatrick, Toronto.....	Provincial	Sept. 26, 1936	Nil	To Qualify for Toronto Police Commission

The following Bills were read the third time and were passed:—

Bill (No. 1), An Act respecting the City of Ottawa.

Bill (No. 2), An Act to incorporate the Society of Industrial and Cost Accountants of Ontario.

Bill (No. 7), An Act respecting the Township of West Gwillimbury.

Bill (No. 13), An Act respecting Appleby School.

Bill (No. 40), An Act to amend The Partnership Registration Act.

Bill (No. 42), An Act to amend The Real Estate Brokers Act.

Bill (No. 43), An Act to amend The Conditional Sales Act.

Bill (No. 44), An Act to amend The Costs of Distress Act.

Bill (No. 45), An Act respecting Bailiffs.

Bill (No. 46), An Act to amend The Companies Act.

Bill (No. 47), An Act to amend The Summary Convictions Act.

The Order of the Day for resuming the Adjourned Debate on the Amendment to the Motion for the consideration of the Speech of The Honourable the Lieutenant-Governor of the Province of Ontario, at the opening of the Session, having been read,

The Debate was resumed and, after some time,

Mr. Oliver, seconded by Mr. Laurier, moved in Amendment to the Amendment:—

That all the words in the Amendment after the word “and” commencing the second paragraph thereof be struck out and the following be substituted therefor:—

“this House has received with great satisfaction Your Honour's advice on the actions of your Ministers in aid of the war efforts of Canada and approves the various steps reported in Your Honour's address by means of which every co-operation is being and shall be extended to the Dominion authorities in order that the efforts of this Province shall be as effective as possible in bringing to a successful conclusion the struggle in which we are engaged.”

The Debate was resumed, and after some time,

The Amendment to the Amendment having been put was carried on the following Division:—

YEAS

Anderson	Duncan	Macfie
Armstrong	Elliott	MacGillivray
Baker	Fairbank	MacKay
Ballantyne	Fletcher	Mercer
Bégin	Freeborn	Miller
Bethune	Gardhouse	Murray
Blakelock	Glass	McEwing
Bradley	Gordon	McQuesten
Brownridge	Guthrie	Newlands
Campbell	Hagey	Nixon
(Kent, East)	Haines	(Brant)
Carr	Heenan	Nixon
Cholette	Hepburn	(Temiskaming)
Conacher	(Elgin)	Oliver
Conant	Hipel	Patterson
Cooper	Houck	Sinclair
Cox	Hunter	Smith
Croome	King	Strachan
Cross	Kirby	Trottier—55
Dickson	Laurier	

NAYS

Acres	Duckworth	Macaulay
Arnott	Frost	Murphy
Black	Henry	Reynolds
Challies	Hepburn	Spence
Doucett	(Prince Edward-Lennox)	Stewart
Downer	Kennedy	Welsh—18
Drew		

PAIRS

Campbell	—	Summerville
(Sault Ste. Marie)		
Croll	—	Dunbar
Lamport	—	Elgie

The Motion, as amended, having been submitted, was then carried on the same Division.

And it was,

Resolved, That an humble Address be presented to The Honourable the Lieutenant-Governor of the Province of Ontario, as follows:—

To the Honourable Albert Matthews,
Lieutenant-Governor of the Province of Ontario.

We, His Majesty's most dutiful and loyal subjects, the Legislative Assembly

of the Province of Ontario, now assembled, beg leave to thank Your Honour for the gracious speech Your Honour has addressed to us.

And this House has received with great satisfaction Your Honour's advice on the actions of Your Ministers in aid of the War efforts of Canada and approves the various steps reported in Your Honour's address by means of which every co-operation is being and shall be extended to the Federal authority in order that the efforts of this Province shall be as effective as possible in bringing to a successful conclusion the struggle in which we are engaged.

The Address, having been read the second time, was agreed to.

Ordered, That the Address be engrossed and presented to The Honourable The Lieutenant-Governor by those Members of this House who are Members of the Executive Council.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Orders-in-Council pertaining to the Department of Education, 1940-41. (*Sessional Papers No. 45.*)

Also, Return to an Order of the House dated March 10th, 1941, That there be laid before this House a Return showing: All letters, memoranda, certificates and documents of whatsoever nature in the possession of the Government or of any member, official or employee of the Government in relation to one John Kluck who was a patient at the Ontario Hospital at Penetanguishene and who was arrested in the City of Toronto in the month of September, 1940, on a charge of murder. (*Sessional Papers No. 46.*)

The House then adjourned at 4.15 p.m.

FRIDAY, MARCH 14TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Hepburn delivered to Mr. Speaker a message from The Lieutenant-Governor, signed by himself; and the said message was read by Mr. Speaker, and is as follows:—

ALBERT MATTHEWS

The Lieutenant-Governor transmits Estimates of certain sums required for the services of the Province for the year ending 31st March, 1942, and recommends them to the Legislative Assembly.

Toronto, March 14th, 1941.

(*Sessional Papers No. 2.*)

Ordered, That the message of The Lieutenant-Governor, together with the Estimates accompanying the same, be referred to the Committee of Supply.

The Order of the Day for the House to resolve itself into the Committee of Supply having been read,

Mr. Hepburn moved,

That Mr. Speaker do now leave the Chair and that the House resolve itself into the Committee of Supply.

And a Debate having ensued, it was, on the motion of Mr. Macaulay,

Ordered, That the Debate be adjourned until Tuesday next.

During the course of his presentation of the Budget the Prime Minister and Provincial Treasurer laid on the Table the following statements:—

HYDRO-ELECTRIC RADIAL ACT

LIST SHOWING THE CORPORATIONS, THEIR RESPECTIVE SHARES OF THE TOTAL LIABILITIES AS OF MARCH 31ST, 1941, AND THE RESPECTIVE AMOUNTS OF THEIR DEBENTURES DEPOSITED AS COLLATERAL SECURITY WITH THE COMMISSION UNDER THE 1914 ACT

PORT CREDIT-ST. CATHARINES

Name of Corporation	Respective Shares of Total Liabilities as of March 31st, 1941	Respective Amounts of Debentures Deposited as Collateral
Township of Grantham.....	\$ 9,442.77	\$ 141,604.00
" " Louth.....	41,473.34	621,935.00
" " Clinton.....	34,872.86	522,954.00
" " North Grimsby.....	31,216.69	468,126.00
" " Barton.....	20,941.09	314,033.00
" " East Flamboro.....	19,626.54	294,320.00
" " Nelson.....	27,590.26	413,744.00
" " Trafalgar.....	39,656.53	594,690.00
" " Toronto.....	17,893.82	268,336.00
Village of Beamsville.....	3,788.67	56,815.00
" " Grimsby.....	7,494.86	112,393.00
Town of Burlington.....	10,639.42	159,549.00
" " Oakville.....	14,950.23	224,194.00
City of St. Catharines.....	45,914.79	688,539.00
" " Hamilton.....	432,043.21	6,478,928.00
Totals—Port Credit-St. Catharines.....	\$ 757,545.08	\$11,360,160.00

TORONTO-PORT CREDIT

Township of Toronto.....	\$ 64,272.33	\$ 220,542.00
“ “ Etobicoke.....	116,960.66	401,335.00
Village of Port Credit.....	15,751.74	54,050.00
Town of New Toronto.....	23,970.03	82,250.00
“ “ Mimico.....	32,406.90	111,200.00
City of Toronto.....	1,235,716.08	4,240,196.00
Totals—Toronto-Port Credit.....	<u>\$1,489,077.74</u>	<u>\$ 5,109,573.00</u>
Grant Totals of both Radials.....	<u>\$2,246,622.82</u>	<u>\$16,469,733.00</u>

THE FUNDED DEBT OF ONTARIO

DETAIL SUMMARY OF ESTIMATED CHANGES IN FUNDED DEBT
FOR THE FISCAL YEAR ENDING MARCH 31ST, 1941

As at March 31st, 1940 (after deducting Sinking Funds)..... \$618,744,454.48

ADD—Sale of Debentures:

RM—2%, due May 1st, 1941/45.....	\$ 6,285,000.00	
RN—3¼%, due May 1st, 1952/55.....	15,000,000.00	
RP—3¼%, due November 1st, 1948/50.....	10,000,000.00	
RQ—2%, due November 1st, 1941/45.....	6,000,000.00	
TI—4¾%, due November 1st, 1942.....	1,500,000.00	38,785,000.00
		<u>\$657,529,454.48</u>

LESS—Redemptions:

At Maturity—

May 15th, 1940—AL—4%.....	\$ 502,000.00
May 15th, 1940—AP—4½%.....	443,000.00
June 1st, 1940—AS—4%.....	432,000.00
June 1st, 1940—RK—1½%.....	1,200,000.00
June 15th, 1940—BE—3%.....	8,153,500.00
August 1st, 1940—RC—2%.....	10,000,000.00
November 1st, 1940—AK—4½%.....	800,000.00
December 1st, 1940—AH—4½%.....	700,000.00
January 15th, 1941—AJ—4½%.....	800,000.00
January 15th, 1941—AR—4½%.....	386,000.00
January 15th, 1941—RE—2%.....	8,000,000.00
February 1st, 1941—SS—6%.....	8,349,500.00

\$39,766,000.00

Railway Aid Certificates..... 76,992.00

Sinking Fund Provisions—Current Year—

Instalments.....	1,086,655.27
Earnings.....	15,609.97
	<u>40,945,257.24</u>

Estimated as at March 31st, 1941 (after deducting Sinking Funds)..... \$616,584,197.24

Total Redemptions..... \$40,945,257.24

Total New Issues..... 38,785,000.00

Net Decrease..... \$ 2,160,257.24

PROVINCE OF ONTARIO
TEMPORARY LOANS—TREASURY BILLS
(Estimated to be outstanding as at March 31st, 1941)

Date of Maturity	Date of Issue	Rate %	Series	Amount Outstanding	Where Payable
1941, June 1st	1938, June 1st	1.65%	RT-N	\$ 5,000,000.00	Canada
June 29th	1940, June 29th	1½% Disc.	RT-X	2,000,000.00	"
Aug. 1st	1938, Aug. 1st	1.65	RT-O	4,500,000.00	"
Aug. 1st	Aug. 1st	1.65	EJ	2,500,000.00	"
Sept. 1st	1940, Sept. 1st	1.75	RT-AD	2,000,000.00	"
Sept. 1st	Sept. 1st	1.75	RT-Z	2,000,000.00	"
Sept. 1st	Sept. 1st	1.75	RT-AB	5,000,000.00	"
Sept. 3rd	Sept. 3rd	1½% Disc.	RT-Y	1,000,000.00	"
Sept. 13th	Sept. 13th	1.75	RT-AA	2,000,000.00	"
Sept. 13th	Sept. 13th	1.75	RT-AB	5,000,000.00	"
Sept. 13th	Sept. 13th	1.75	RT-Z	5,000,000.00	"
Sept. 13th	1938, Dec. 1st	1.65	RT-T	5,000,000.00	"
Sept. 15th	1940, Sept. 15th	1.75	RT-AC	2,000,000.00	"
Nov. 1st	Nov. 1st	1.75	RT-U	10,000,000.00	"
Dec. 21st	Dec. 21st	1.75	RT-AE	8,000,000.00	"
				<u>\$61,000,000.00</u>	

This is a reduction of \$3,000,000.00 in the amount of Treasury Bills outstanding at April 1st, 1940.

PROVINCE OF ONTARIO
CONTINGENT LIABILITIES

BONDS, ETC., GUARANTEED BY THE PROVINCE
(Estimated as at March 31st, 1941)

Total (as per Public Accounts, March 31st, 1940)..... \$134,651,515.66

ADD—New Guarantees for Fiscal Year ending March 31st, 1941—

Co-Operative Associations.....	\$ 5,000.00	
Park Commissions.....	3,000,000.00	
Power Commissions.....	17,000,000.00	20,005,000.00
		<u>\$154,656,515.66</u>

LESS—Principal Maturities redeemed or to be redeemed during
Fiscal Year ending March 31st, 1941—

By Province of Ontario—

Housing.....	\$ 100,879.40
Municipalities.....	4,425.01
Schools.....	12,933.62

118,238.03

By Municipalities, etc.—

Co-Operative Associations.....	\$ 13,424.03
Housing.....	117,525.97
Municipalities.....	54,962.70
Park Commissions.....	2,608,000.00
Power Commissions.....	18,276,000.00
Railways.....	916,000.00
Schools.....	214,512.73
Universities.....	95,345.98

22,295,771.41 22,414,009.44

LESS—Sinking Fund Deposits for Fiscal Year ending March 31st, 1941..... \$132,242,506.22
27,761.81

Estimated Net Contingent Liability of the Province as at March 31st, 1941... \$132,214,744.41

SUMMARY

Contingent Liability of the Province—March 31st, 1940.....	\$134,651,515.66
Estimated Contingent Liability of the Province—March 31st, 1941.....	132,214,744.41
Estimated Decrease.....	<u>\$ 2,436,771.25</u>

INTERIM STATEMENT OF GROSS ORDINARY EXPENDITURE

FISCAL YEAR APRIL 1ST, 1940—MARCH 31ST, 1941

10 Months Actual—2 Months Forecast—12 Months

DEPARTMENT	Detail	Gross Ordinary Expenditure
1—AGRICULTURE.....		\$ 2,100,000.00
2—ATTORNEY-GENERAL.....		3,200,000.00
3—EDUCATION.....		12,730,000.00
4—GAME AND FISHERIES.....		530,000.00
5—HEALTH:		
Main Office and Branches.....	\$1,200,000.00	
Hospitals Branch.....	9,700,000.00	10,900,000.00
6—HIGHWAYS.....		13,036,400.00
7—INSURANCE.....		59,000.00
8—LABOUR.....		783,000.00
9—LANDS AND FORESTS.....		2,166,000.00
10—LEGISLATION.....		270,000.00
11—LIEUTENANT-GOVERNOR.....		10,000.00
12—MINES.....		320,000.00
13—MUNICIPAL AFFAIRS.....		3,059,900.00
14—PRIME MINISTER.....		172,500.00
15—PROVINCIAL AUDITOR.....		115,100.00
16—PROVINCIAL SECRETARY:		
Main Office and Registrar-General's Branch.....	141,000.00	
Reformatories and Prisons Branch.....	2,242,000.00	2,383,000.00
17—PROVINCIAL TREASURER:		
Main Office.....	1,080,000.00	
Budget Committee Office.....	9,500.00	
Controller of Revenue Branch.....	395,700.00	
Motion Picture Censorship and Theatre Inspection Branch.....	36,700.00	
Post Office.....	143,600.00	
Savings Office.....	265,900.00	1,931,400.00
18—PUBLIC WELFARE:		
Main Office and Branches.....	416,000.00	
Old Age Pensions Commission.....	3,479,000.00	
Mothers' Allowances Commission.....	4,813,000.00	8,708,000.00
19—PUBLIC WORKS.....		665,000.00
MISCELLANEOUS:		
Hydro Radials.....	1,250,000.00	
Miscellaneous Grants.....	4,400.00	1,254,400.00
STATIONERY ACCOUNT.....		70,800.00
		\$ 64,464,500.00
PUBLIC DEBT—Interest, Exchange, etc.....		32,676,400.00
		\$ 97,140,900.00
ADD: Unemployment Direct Relief and Administration thereof.....		4,315,000.00
		\$101,455,900.00

INTERIM STATEMENT OF GROSS CAPITAL PAYMENTS

FISCAL YEAR APRIL 1ST, 1940—MARCH 31ST, 1941

10 Months Actual—2 Months Forecast—12 Months

DEPARTMENT	GROSS CAPITAL PAYMENTS		
	Works and Resources	Loan Advances	Trust Fund Repayments
AGRICULTURE.....		\$ 17,000.00	
EDUCATION.....	\$ 65,638.43		
GAME AND FISHERIES.....	5,293.32		
HIGHWAYS.....	16,818,536.02		
LABOUR.....		60,000.00	
LANDS AND FORESTS.....	331,440.10		
PRIME MINISTER—			
Public Service Superannuation Fund.....			\$ 863,261.87
PROVINCIAL TREASURER:			
Main Office.....		1,195,378.72	311,096.58
Hydro-Electric Power Commission.....	1,375,000.00	30,000.00	
PUBLIC WELFARE:			
Dominion Government:			
Old Age Pensions for Blind Commission.		10,050,000.00	
PUBLIC WORKS.....	389,498.96		
MISCELLANEOUS.....			3,202.66
	<u>\$18,985,406.83</u>	<u>\$11,352,378.72</u>	<u>\$1,177,561.11</u>

SUMMARY

Works and Resources.....	\$18,985,406.83
Loan Advances.....	11,352,378.72
Trust Fund Repayments.....	1,177,561.11
	<u>\$31,515,346.66</u>

INTERIM STATEMENT OF GROSS ORDINARY REVENUE

FISCAL YEAR APRIL 1ST, 1940—MARCH 31ST, 1941

10 Months Actual—2 Months Forecast—12 Months

DEPARTMENT	Detail	Gross Ordinary Revenue
1— AGRICULTURE.....		\$ 322,000.00
2— ATTORNEY-GENERAL.....		930,000.00
3— EDUCATION.....		105,000.00
4— GAME AND FISHERIES.....		976,000.00
5— HEALTH:		
Main Office and Branches.....	\$ 70,000.00	
Hospitals Branch.....	1,509,000.00	1,579,000.00
6— HIGHWAYS:		
Main Office.....	49,000.00	
Gasoline Tax Branch.....	26,000,000.00	
Miscellaneous Permits Branch.....	110,000.00	
Motor Vehicles Branch.....	9,000,000.00	35,159,000.00

7—INSURANCE.....		\$220,000.00
8—LABOUR.....		90,000.00
9—LANDS AND FORESTS.....		5,000,000.00
10—LEGISLATION.....		9,000.00
11—MINES.....		2,330,000.00
12—MUNICIPAL AFFAIRS:		
Main Office.....	\$8,000.00	
Municipal Board.....	19,000.00	27,000.00
13—PRIME MINISTER.....		16,000.00
14—PROVINCIAL SECRETARY:		
Main Office and Registrar-General's Branch.....	390,000.00	
Reformatories and Prisons Branch.....	923,000.00	1,313,000.00
15—PROVINCIAL TREASURER:		
Main Office—Subsidy.....	2,941,424.28	
Interest.....	72,840.28	
Liquor Control Board.....	10,500,000.00	
Controller of Revenue Branch:		
Succession Duty.....	11,000,000.00	
Corporations Tax.....	23,000,000.00	
Race Tracks.....	611,000.00	
Income Tax.....	6,800,000.00	
Security Transfer Tax.....	275,000.00	
Land Transfer Tax.....	230,000.00	
Law Stamps.....	350,000.00	
Motion Picture Censorship and Theatre Inspection....	200,000.00	
Savings Office.....	266,000.00	56,246,264.56
16—PUBLIC WORKS.....		61,000.00
		\$104,383,264.56
PUBLIC DEBT—Interest, etc.....		9,673,000.00
		<u>\$114,056,264.56</u>

SUMMARY

Gross Ordinary Revenue.....	\$114,056,264.56
Less: Gross Ordinary Expenditure (before providing for Unemployment Direct Relief, Provision for Sinking Funds and Maturing Railway Aid Certificates....)	95,977,300.00
Surplus: (before providing for Unemployment Direct Relief, Provision for Sinking Fund, and Maturing Railway Aid Certificates.....)	18,078,964.56
Less: Unemployment Direct Relief and Administration thereof.....	\$4,315,000.00
Provision for Sinking Fund.....	1,086,600.00
Maturing Railway Aid Certificates.....	77,000.00
	<u>5,478,600.00</u>
Interim Surplus.....	<u>\$ 12,600,364.56</u>

INTERIM STATEMENT OF GROSS CAPITAL RECEIPTS

FISCAL YEAR APRIL 1ST, 1940—MARCH 31ST, 1941

10 Months Actual—2 Months Forecast—12 Months

DEPARTMENT	GROSS CAPITAL RECEIPTS		
	Works and Resources	Loan Repayments	Trust Fund Deposits
AGRICULTURE.....	\$	\$ 5,765.00	.....
ATTORNEY-GENERAL.....	.....	5,000.00	\$ 150.00
HIGHWAYS.....	13,380.50	.....	.....
LABOUR.....	.....	60,000.00	.....
LANDS AND FORESTS.....	46,220.82	.....	.....
MINES.....	52,191.03	.....	.....
MUNICIPAL AFFAIRS.....	.....	35,500.00	.....
PRIME MINISTER:			
Public Service Superannuation Fund.....	.....	.....	1,323,204.83
PROVINCIAL SECRETARY.....	.....	.....	16,295.27
PROVINCIAL TREASURER:			
Main Office.....	.....	3,666,619.31	204,701.24
Hydro-Electric Power Commission.....	.....	7,772,237.68	.....
PUBLIC WELFARE:			
Old Age and Pensions for the Blind Commission.....	.....	10,050,000.00	.....
PUBLIC WORKS.....	4,981.70	.....	.....
	<u>\$116,774.05</u>	<u>\$21,595,121.99</u>	<u>\$1,544,351.34</u>

SUMMARY

Works and Resources.....	\$ 116,774.05
Loan Repayments.....	21,595,121.99
Trust Fund Deposits.....	1,544,351.34
	<u>\$23,256,247.38</u>

PROVINCE OF ONTARIO

DETAILED SUMMARY ACCOUNTING FOR ESTIMATED DECREASE IN GROSS DEBT
FOR THE YEAR ENDING MARCH 31ST, 1941

GROSS DEBT DECREASED BY:

Surplus—			
Surplus on Ordinary Account	\$12,600,364.56		
Provisions Charged to Ordinary Expenditure:			
Retirement of Railway Certificates	76,992.00		
Sinking Fund Instalments	1,086,655.27	\$13,764,011.83	
Discount on Debentures, etc., written off		960,058.93	
Earnings on Sinking Fund Investments (Net)		15,609.97	
Loan Repayments—			
Hydro-Electric Power Commission of Ontario	7,718,676.91		
Agricultural Development Board	2,564,000.00		
Housing Loans	35,500.00		
Tile Drainage (Net)	89,284.41		
Miscellaneous (Net)	126,200.80	10,533,662.12	
Increase in Reserves		3,648.32	\$25,276,991.17

GROSS DEBT INCREASED BY:

Capital Disbursements—			
Highways, Public Buildings, Public Works, etc.	18,985,406.83		
Less—Capital Receipts	109,106.45		
	\$18,876,300.38		
Discount on Debentures, etc., issued during year	758,492.69		
Payments re Guaranteed Debentures (Net)	296,118.85	19,930,911.92	
Estimated Decrease as at March 31st, 1941			\$ 5,346,079.25

BUDGET FORECAST OF ORDINARY REVENUE

FISCAL YEAR APRIL 1ST, 1941—MARCH 31ST, 1942

DEPARTMENT	Detail	Gross Ordinary Revenue	Application of Revenue to Expenditure	Detail	Net Ordinary Revenue
1—AGRICULTURE.....		\$ 291,153.00			\$ 291,153.00
2—ATTORNEY-GENERAL.....		1,021,070.00	\$ 130,670.00		890,400.00
3—EDUCATION.....		60,000.00			60,000.00
4—GAME AND FISHERIES....		1,000,000.00			1,000,000.00
5—HEALTH:					
Main Office and Branches....	\$ 60,830.00		3,200.00	\$ 57,630.00	
Hospital Branch.....	1,390,560.00	1,451,330.00		1,390,560.00	1,448,130.00
6—HIGHWAYS:					
Main Office and Branches....	10,000.00			10,000.00	
Gasoline Tax Branch.....	26,500,000.00			26,500,000.00	
Miscellaneous Permits Branch	90,000.00			90,000.00	
Motor Vehicles Branch.....	9,560,000.00	36,100,000.00		9,560,000.00	36,100,000.00
7—INSURANCE.....		210,000.00			210,000.00
8—LABOUR.....		80,000.00			80,000.00
9—LANDS AND FORESTS.....		5,000,000.00			5,000,000.00
10—LEGISLATION.....		10,000.00			10,000.00
11—MINES.....		2,500,000.00	5,000.00		2,495,000.00
12—MUNICIPAL AFFAIRS:					
Main Office and Municipal Board.....		21,110.00			21,110.00
13—PRIME MINISTER:					
King's Printer—Ontario Gazette.....		14,400.00			14,400.00
14—PROVINCIAL SECRETARY:					
Main Office and Registrar-General's Office.....	330,000.00			330,000.00	
Reformatories and Prisons Branch.....	912,000.00	1,242,000.00	702,000.00	210,000.00	540,000.00
15—PROVINCIAL TREASURER:					
Main Office—Subsidy.....	2,941,424.00			2,941,424.00	
Interest.....	73,000.00			73,000.00	
Liquor Control Board.....	12,060,000.00			12,000,000.00	
Controller of Revenue Branch:					
Succession Duty.....	12,000,000.00			12,000,000.00	
Corporations Tax.....	23,000,000.00			23,000,000.00	
Race Tracks.....	525,000.00			525,000.00	
Income Tax.....	5,000,000.00			5,000,000.00	
Security Transfer Tax.....	350,000.00			350,000.00	
Land Transfer Tax.....	225,000.00			225,000.00	
Law Stamps.....	365,000.00			365,000.00	
Motion Picture Censorship and Theatre Inspection Branch.....	175,000.00			175,000.00	
Savings Office.....	261,174.48	56,915,598.48	261,174.68		56,654,424.00
16—PUBLIC WORKS.....		49,000.00			49,000.00
MISCELLANEOUS.....		100,000.00	100,000.00		
PUBLIC DEBT—Interest, etc.	\$ 8,364,696.66	\$106,065,661.48	\$ 1,202,044.48		\$104,863,617.00
Foreign Exchange....	749,417.23	9,114,113.89	749,417.23		
TOTAL.....		\$115,179,775.37	\$10,316,158.37		\$104,863,617.00

SUMMARY

Net Ordinary Revenue.....	\$104,863,617.00
Net Ordinary Expenditure (not including Unemployment Relief).....	90,135,553.04
EXCESS OF ORDINARY REVENUE OVER ORDINARY EXPENDITURE.....	\$ 14,728,063.96
Estimated Net Expenditure on account of Unemployment Direct Relief and administration thereof.....	4,985,000.00
SURPLUS FORECAST.....	\$ 9,743,063.96

BUDGET FORECAST OF ORDINARY EXPENDITURE

FISCAL YEAR APRIL 1ST, 1941—MARCH 31ST, 1942

DEPARTMENT	Detail	Gross Ordinary Expenditure	Application of Revenue to Expenditure	Detail	Net Ordinary Expenditure
1—AGRICULTURE.....		\$ 5,984,117.50			\$ 5,984,117.50
2—ATTORNEY-GENERAL.....		3,070,645.00	\$ 130,670.00		2,939,975.00
3—EDUCATION.....		13,588,630.00			13,588,630.00
4—GAME AND FISHERIES.....		619,000.00			619,000.00
5—HEALTH:					
Main Office and Branches....	\$ 1,310,860.00		3,200.00	\$ 1,307,660.00	
Hospitals Branch.....	9,474,825.00	10,785,685.00		9,474,825.00	10,782,485.00
6—HIGHWAYS:					
Main Office and Branches....	12,925,000.00			12,925,000.00	
Motor Vehicles Branch.....	400,000.00	13,325,000.00		400,000.00	13,325,000.00
7—INSURANCE.....		62,425.00			62,425.00
8—LABOUR.....		815,000.00			815,000.00
9—LANDS AND FORESTS.....		2,278,175.00			2,278,175.00
10—LEGISLATION.....		272,450.00			272,450.00
11—LIEUTENANT-GOVERNOR.....		10,000.00			10,000.00
12—MINES.....		367,275.00	5,000.00		362,275.00
13—MUNICIPAL AFFAIRS:					
Main Office and Municipal Board.....	94,590.00			94,590.00	
Subsidy—1 Mill—					
To cities, towns, incorporated villages and townships.....	3,000,000.00	3,094,590.00		3,000,000.00	3,094,590.00
14—PRIME MINISTER.....		407,065.00			407,065.00
15—PROVINCIAL AUDITOR.....		118,200.00			118,200.00
16—PROVINCIAL SECRETARY:					
Main Office and Registrar-General's Branch.....	147,050.00			147,050.00	
Reformatories and Prisons Branch.....	1,910,500.00	2,057,550.00	702,000.00	1,208,500.00	1,355,550.00
17—PROVINCIAL TREASURER:					
Main Office.....	835,940.00			835,940.00	
Budget Committee Office....	9,420.00			9,420.00	
Controller of Revenue Branch	404,460.00			404,460.00	
Motion Picture Censorship and Theatre Inspection Branch.	44,025.00			44,025.00	
Post Office.....	148,140.00			148,140.00	
Savings Office.....	261,174.48	1,703,159.48	261,174.48		1,441,985.00
18—PUBLIC WELFARE:					
Main Office.....	219,975.00			219,975.00	
Children's Aid Branch.....	188,200.00			188,200.00	
Old Age Pensions Commission and Pensions for the Blind.	3,564,000.00			3,564,000.00	
Mothers' Allowances Commission.....	4,660,650.00	8,632,825.00		4,660,650.00	8,632,825.00
19—PUBLIC WORKS.....		665,000.00			665,000.00
MISCELLANEOUS.....		104,400.00	100,000.00		4,400.00
		\$ 67,961,191.98	\$ 1,202,044.48		\$66,759,147.50
PUBLIC DEBT—Interest, etc.....		30,609,433.63	8,364,696.66		22,244,736.97
Foreign Exchange.....		1,881,085.80	749,417.23		1,131,668.57
TOTAL.....		\$100,451,711.41	\$10,316,158.37		\$90,135,553.04
ADD: Estimated Net Expenditure on account of Unemployment Direct Relief and the Administration thereof.....		4,985,000.00			4,985,000.00
GRAND TOTAL.....		\$105,436,711.41	\$10,316,158.37		\$95,120,553.04

BUDGET FORECAST OF CAPITAL RECEIPTS

FISCAL YEAR APRIL 1ST, 1941—MARCH 31ST, 1942

DEPARTMENT	CAPITAL RECEIPTS		
	Works and Resources	Loan Repayments	Trust Fund Deposits
AGRICULTURE.....		\$ 2,500.00	.....
HIGHWAYS.....	\$ 5,000.00	.....	.....
LABOUR.....		35,000.00	.....
LANDS AND FORESTS.....	36,000.00	.....	.....
MINES.....	52,000.00	.....	.....
MUNICIPAL AFFAIRS.....		14,200.00	.....
PRIME MINISTER:			
Public Service Superannuation Fund.....			\$1,341,531.62
PROVINCIAL TREASURER:			
Main Office.....		3,361,780.71	158,368.45
Hydro-Electric Power Commission.....		1,747,619.34	.....
PUBLIC WELFARE:			
Dominion Government—			
Old Age Pensions Commission.....		10,035,000.00	.....
Pensions for Blind.....		256,500.00	.....
PUBLIC WORKS.....	375.00	.....	.....
	<u>\$93,375.00</u>	<u>\$15,452,600.05</u>	<u>\$1,499,900.07</u>

SUMMARY

Works and Resources.....	\$ 93,375.00
Loan Repayments.....	15,452,600.05
Trust Fund Deposits.....	1,499,900.07
	<u>\$17,045,875.12</u>

BUDGET FORECAST OF CAPITAL PAYMENTS

FISCAL YEAR APRIL 1ST, 1941—MARCH 31ST, 1942

DEPARTMENT	CAPITAL PAYMENTS		
	Works and Resources	Loan Advances	Trust Fund Repayments
AGRICULTURE.....		\$ 25,000.00	
EDUCATION.....	\$ 65,638.43		
GAME AND FISHERIES.....	20,000.00		
HIGHWAYS.....	13,000,000.00		
LABOUR.....		35,000.00	
LANDS AND FORESTS.....	375,000.00		
PRIME MINISTER:			
Public Service Superannuation Fund.....			\$ 950,000.00
PROVINCIAL TREASURER:			
Main Office.....		1,355,088.58	291,488.56
Hydro-Electric Power Commission.....	750,000.00	60,000.00	
PUBLIC WELFARE:			
Dominion Government:			
Old Age Pensions Commission.....		10,035,000.00	
Pensions for Blind.....		256,500.00	
PUBLIC WORKS.....	292,000.00		
	<u>\$14,502,638.43</u>	<u>\$11,766,588.58</u>	<u>\$1,241,488.56</u>

SUMMARY

Works and Resources.....	\$14,502,638.43
Loan Advances.....	11,766,588.58
Trust Fund Repayments.....	1,241,488.56
	<u>\$27,510,715.57</u>

The House then adjourned at 4.10 p.m.

MONDAY, MARCH 17TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Before the Orders of the Day were called Prime Minister Hepburn introduced to the House the Honourable Claude Pepper, United States Senator for the State of Florida, one of the most vigorous proponents of the Lease-Lend Bill for Aid to Great Britain and her allies in the present war, which had just been adopted by the United States Congress on recommendation of President Franklin D. Roosevelt.

Senator Pepper, in a brief address, referred feelingly to the good neighbour feeling existing between his country and Canada and assured the House of the fullest support of the United States to the British Empire until the Axis war of aggression has been terminated in favour of the democratic countries of the World.

Mr. Drew, leader of the Opposition, expressed the thanks of the House to the Senator for his visit and his encouraging and inspiring address.

The following Petition was brought up and laid upon the Table:—

By Mr. Newlands, the Petition of the Board of Park Management of the City of Hamilton.

The following Bills were severally introduced and read the first time:—

Bill (No. 66), intituled, "An Act to amend The Sanatoria for Consumptives Act." *Mr. Kirby.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 67), intituled, "An Act to amend The Mining Tax Act." *Mr. Laurier.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 68), intituled, "An Act to amend The Jurors Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 69), intituled, "An Act to amend The Voters' Lists Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 70), intituled, "An Act to amend The Natural Gas Conservation Act."

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 71), intituled, "An Act respecting Relief to Municipalities regarding Hydro-Electric Radials." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Kennedy asked the following Question (No. 68):—

1. What steps, if any, have been taken by the Government to ascertain the facts respecting the shooting of pheasants in East York Township and generally throughout the Don River valley and what measures, if any, have been taken looking to effectual game protection in this area.

The Honourable the Provincial Secretary replied as follows:—

East York Township and Don River Valley patrolled by Game and Fishery Overseer, North York Police and Deputy Game Wardens. Twenty-five seizures and fourteen prosecutions in the last three years from this particular area.

Mr. Kennedy asked the following Question (No. 78):—

1. In each fiscal year since the present Government took office, and including the period from April 1st, 1940, to date, what amounts have been paid, and to whom, as Iron Ore Bounty. 2. In each case mentioned in (1), state the number of tons of ore on which bounty was paid and the mines from which such ore was produced.

The Honourable the Minister of Mines replied as follows:—

Payments of Iron Ore Bounty have been made since the present Government took office to March 1st, 1941, to Algoma Ore Properties Limited on ore mined from the Helen Mine, as follows:—

Period	Tons of Beneficiated Ore	Bounty
Fiscal Year ending March 31st, 1940.....	111,485	\$118,705.37
Eleven months prior from April 1st, 1940, to March 1st, 1941.....	298,829	313,864.14

Mr. Black asked the following Question (No. 86):—

1. Who are the members of the Workmen's Compensation Board, including Chairman and specifying date of appointment and salary in each case. 2. How many persons are employed by the Workmen's Compensation Board at date. 3. What persons have been appointed to the staff of the Workmen's Compensation Board since April 1st, 1938, specifying date of appointment, address at date of appointment and commencing salary together with official title. 4. What officials or employees of the Workmen's Compensation Board have been dismissed or requested to resign since April 1st, 1938, giving official title, salary and reason for dismissal or request for resignation in each case.

The Honourable the Minister of Labour replied as follows:—

1.

Name	Position	Date of Appointment	Salary
John Harold.....	Chairman	Feb. 21, 1938	\$8,500 per year
D. J. Galbraith.....	Vice-Chairman	June 12, 1935	7,000 per year
W. D. Smith.....	Commissioner	Jan. 1, 1940	6,500 per year

2. 286 at March 11th, 1941.

3.

Name	Date of Appointment	Address at Date of Appointment	Commencing Salary	Official Title
Samis, Dr. Jas. Clifford	May 1, 1938	Kingston	\$3,000 per yr.	Medical Officer
Gruetznier, Ruth	May 2, 1938	Hanover	62.50 per mo.	Filing Clerk
Haines, Wm. R.	May 25, 1938	Toronto	25.00 per wk.	P. R. Auditor

Name	Date of Appointment	Address at Date of Appointment	Commencing Salary	Official Title
Cuthbert, J. A.	May 25, 1938	Toronto	\$25.00 per wk.	P. R. Auditor
Services terminated	Apr. 30, 1939.			
Kippen, D. J.	May 25, 1938	Maxville	25.00 per wk.	P. R. Auditor
Stone, D. E.	May 25, 1938	Renfrew	25.00 per wk.	P. R. Auditor
Footitt, Geo. W.	June 1, 1938	Acton	70.00 per mo.	Clerk
On leave since Aug. 31, 1940—on active service.				
Sansone, Paul	June 17, 1938	Toronto	65.00 per mo.	File Clerk
Filion, Loretta	June 20, 1938	Cornwall	65.00 per mo.	Steno. and Typist
Wilson, Geo. H.	June 20, 1938	Paris	110.00 per mo.	Pensions Investigator
Left on account of ill-health, Apr. 30, 1940.				
Turnbull, Helen H.	June 20, 1938	Brantford	65.00 per mo.	File Clerk
Fleet, Hilliard E.	June 28, 1938	Toronto	25.00 per wk.	P. R. Auditor
Carling, Russell J.	June 28, 1938	Toronto	25.00 per wk.	P. R. Auditor
Services terminated	Sept. 15, 1938.			
Shoemaker, John R.	June 29, 1938	Toronto	25.00 per wk.	P. R. Auditor
Services terminated	Aug. 20, 1938.			
Brennan, Dr. J. H. L.	July 1, 1938	Haileybury	300.00 per mo.	Medical Officer, Sili- cosis Station
Campbell, Glenna	July 7, 1938	Port Arthur	70.00 per mo.	Steno. and Clerk, Sili- cosis Station
MacBride, Gordon G.	Sept. 6, 1938	Brantford	25.00 per wk.	P. R. Auditor
Fraser, Grant	Sept. 6, 1938	Ripley	65.00 per mo.	File Clerk
McGee, Jos. O.	Oct. 3, 1938	Toronto	25.00 per wk.	P. R. Auditor
Taylor, Dr. Wm.	Oct. 15, 1938	Hamilton	250.00 per mo.	Medical Officer, Sili- cosis Station
Pritchard, Audry P.	Oct. 24, 1938	Toronto	62.50 per mo.	Clerk
Noble, M. Olive	Nov. 1, 1938	Toronto	2,000 per yr.	Director, Occupation- al Therapy
Resigned Nov. 30, 1939, to be married.				
Symington, Kay	Nov. 7, 1938	Kirkland Lake	65.00 per mo.	Steno., Silicosis Stn.
Stewart, Thelma B.	Nov. 7, 1938	Toronto	90.00 per mo.	Physiotherapy Aide
On leave since Oct. 22, 1940—active service.				
Jarvis, Ada	Nov. 14, 1938	Toronto	62.50 per mo.	File Clerk
Watson, John A.	Nov. 16, 1938	Toronto	65.00 per mo.	File Clerk
Left as at June 27, 1940.				
Whelan, Carson	Nov. 29, 1938	Toronto	62.50 per mo.	Clerk
Smith, Hetty V.	Dec. 1, 1938	Toronto	90.00 per mo.	Aide, Occupational Therapy
Burnham, Gladys	Dec. 15, 1938	Sutton	62.50 per mo.	File Clerk
Stewart, Marian O.	Dec. 20, 1938	Millgrove	62.50 per mo.	File Clerk
Absent since Aug. 31, 1940—illness.				
Sweitzer, Andrew E.	Jan. 1, 1939	Toronto	75.00 per mo.	Instructor—Occupational Therapy
Flanagan, Jack	Jan. 23, 1939	Sudbury	70.00 per mo.	Assistant, Silicosis Station
On leave since Aug. 26, 1940—active service.				
Davis, S. Ross	Jan. 30, 1939	Toronto	70.00 per mo.	Computer
Wilson, Edna	Jan. 30, 1939	Toronto	62.50 per mo.	Clerk
Resigned May 22, 1940, to be married.				
Marshall, Ruby E.	Jan. 31, 1939	Ancaster	62.50 per mo.	Stenographer
Anderson, Mary	Mar. 1, 1939	Bolton	62.50 per mo.	Clerk
Meyers, Lois	Mar. 1, 1939	Campbellford	62.50 per mo.	File Clerk
Iviney, Pearl	Mar. 20, 1939	Toronto	62.50 per mo.	Clerk
Johnston, Walter J.	Mar. 31, 1939	Grafton	90.00 per mo.	Clerk
Lewin, Marjorie L.	May 1, 1939	Toronto	62.50 per mo.	Clerk
Gillies, Marjorie A.	May 25, 1939	Paris	62.50 per mo.	Typist
Campbell, John	June 1, 1939	Toronto	100.00 per mo.	Clerk, Rehabilitation Dept.
Blackman, Walter	June 15, 1939	Toronto	65.00 per mo.	Computer
Sellers, Wm. F. P., Jr.	June 19, 1939	Toronto	65.00 per mo.	Clerk
On leave since Oct. 9, 1940—active service.				
Holden, Irvine S.	June 19, 1939	Toronto	25.00 per wk.	P. R. Auditor
Brown, Doris E.	June 26, 1939	Toronto	62.50 per mo.	Clerk
Scott, Dr. F. M.	July 24, 1939	Stratford	250.00 per mo.	Medical Officer
Black, Geo. S.	Aug. 18, 1939	Toronto	85.00 per mo.	Clerk
Farrell, Dr. Wm. A.	Sept. 1, 1939	Geraldton	250.00 per mo.	Medical Officer, Sili- cosis Station
Mackerrow, Marg't M.	Oct. 1, 1939	Toronto	62.50 per mo.	Stenographer
Klein, Johanne	Oct. 2, 1939	Toronto	90.00 per mo.	Aide, Physiotherapy Dept.
Smith, Nora C.	Oct. 20, 1939	Chatham	62.50 per mo.	File Clerk
Left Oct. 12, 1940, to be married.				

Name	Date of Appointment	Address at Date of Appointment	Commencing Salary	Official Title
Wilson, Audrey	Oct. 20, 1939	Toronto	\$62.50 per mo.	Typist
Farquharson, Ailsa	Oct. 25, 1939	Toronto	62.50 per mo.	Stenographer
On leave since June 24, 1940—illness.				
Buckley, Hazel	Oct. 25, 1939	Mount Dennis	62.50 per mo.	Typist
McCleary, James	Nov. 6, 1939	Toronto	85.00 per mo.	Clerk
Campbell, Evelyn B.	Nov. 10, 1939	Toronto	65.00 per mo.	Stenographer
Armstrong, Frances	Dec. 1, 1939	Humber Bay	62.50 per mo.	Clerk and Typist
Forbes, Josephine M.	Dec. 1, 1939	Toronto	90.00 per mo.	Aide, Occupational Therapy Dept.
On leave since Jan. 8, 1941—active service.				
Smith, Dorothy E.	Dec. 11, 1939	Toronto	62.50 per mo.	Clerk
Perelman, Sally	Dec. 11, 1939	Toronto	62.50 per mo.	Stenographer
Fortune, Geo. F.	Dec. 18, 1939	Toronto	100.00 per mo.	Clerk
Manson, Irwin	Jan. 2, 1940	Harrowsmith	80.00 per mo.	Clerk
Edwards, Eleanor I.	Jan. 22, 1940	Toronto	62.50 per mo.	Typist
Birk, Barbara	Mar. 2, 1940	Toronto	62.50 per mo.	File Clerk
Bastedo, Gilbert N.	Mar. 26, 1940	Toronto	100.00 per mo.	Utility Clerk
Bee, Evelyn E.	Apr. 22, 1940	Paris	62.50 per mo.	Stenographer
Preston, Dr. F. C.	Apr. 24, 1940	Malton	3,000 per yr.	Medical Officer
Stewart, Victoria E.	May 20, 1940	Toronto	62.50 per mo.	File Clerk
Resigned Nov. 30, 1940.				
Fleming, James	May 28, 1940	Toronto	75.00 per mo.	File Clerk
On leave since Oct. 28, 1940—active service.				
Black, Elsie J.	June 10, 1940	Paris	65.00 per mo.	Computer, Typist
Left service Nov. 26, 1940, for another position.				
Culliford, Alma G.	June 10, 1940	Toronto	62.50 per mo.	Clerk
MacFarlane, Jessie	June 11, 1940	Toronto	62.50 per mo.	File Clerk
Stoddart, Geo. W. W.	June 17, 1940	Toronto	25.00 per wk.	Assessment Investigator
Bloss, Wm. E.	June 18, 1940	Toronto	100.00 per mo.	Clerk, Rehabilitation Dept.
Kerr, Wm. R.	July 2, 1940	Toronto	65.00 per mo.	File Clerk
Gallagher, Rita	July 11, 1940	Toronto	62.50 per mo.	Typist
Poole, Geo. R.	Sept. 3, 1940	Ridgeway	100.00 per mo.	Clerk
Flaherty, Stanley J.	Sept. 3, 1940	Toronto	45.00 per mo.	Office Boy
Neilson, Gregor	Sept. 4, 1940	Sudbury	50.00 per mo.	Junior Technician, Silicosis Station
Dwyer, Margaret M.	Sept. 9, 1940	Toronto	65.00 per mo.	Assistant Claimants' Interviewer
Campbell, Jean H.	Sept. 9, 1940	Toronto	65.00 per mo.	Stenographer
Nelles, Dr. John V.	Sept. 16, 1940	Ottawa	3,000 per yr.	Medical Officer, Silicosis Station
Dunlop, Helen C. W.	Sept. 16, 1940	Toronto	62.50 per mo.	Typist
Hills, E. John	Sept. 23, 1940	Toronto	62.50 per mo.	Clerk
Ellis, Robt. C.	Oct. 1, 1940	Toronto	100.00 per mo.	P. R. Auditor
Bradwin, Meta	Oct. 7, 1940	Toronto	65.00 per mo.	Clerk
Bickerton, Geo.	Oct. 7, 1940	Toronto	110.00 per mo.	Assessment Investigator
Services terminated Dec. 7, 1940.				
Grove, Ethel M.	Oct. 12, 1940	Toronto	62.50 per mo.	Typist
Hayman, Elda A.	Oct. 14, 1940	Toronto	62.50 per mo.	File Clerk
Crisp, Richard S.	Oct. 15, 1940	Toronto	65.00 per mo.	Junior Clerk
McKay, Frances M.	Oct. 21, 1940	Toronto	62.50 per mo.	File Clerk
Torrance, Mary F.	Oct. 22, 1940	Toronto	80.00 per mo.	Aide, Physiotherapy Clinic
Left Feb. 28, 1941, to be married.				
McConnell, Mary H.	Oct. 22, 1940	Toronto	80.00 per mo.	Aide, Physiotherapy Clinic
Butler, Kenneth R.	Oct. 28, 1940	Toronto	65.00 per mo.	Audit Clerk
Cheyne, William J.	Oct. 28, 1940	Toronto	62.50 per mo.	File Clerk
Campbell, Barbara H.	Nov. 1, 1940	Timmins	62.50 per mo.	Steno., Silicosis Stn.
Spence, Elsie W.	Nov. 1, 1940	Toronto	62.50 per mo.	Stenographer
Beamish, Elizabeth A.	Nov. 1, 1940	Toronto	62.50 per mo.	Typist
Gilbert, Ruth M.	Nov. 1, 1940	Paris	62.50 per mo.	Typist
Rogers, Dorothy H.	Nov. 1, 1940	Toronto	65.00 per mo.	Stenographer
Langford, Doris	Nov. 1, 1940	Mitchell	62.50 per mo.	Typist
Munroe, Alvin F.	Nov. 1, 1940	Ottawa	110.00 per mo.	P. R. Auditor
Chappel, Ruth E.	Nov. 4, 1940	Toronto	62.50 per mo.	File Clerk
Lavery, Christine V.	Nov. 11, 1940	Toronto	62.50 per mo.	File Clerk
Bourke, Margaret C.	Nov. 11, 1940	Toronto	62.50 per mo.	File Clerk
Cain, Mrs. Lulu M.	Nov. 13, 1940	Toronto	62.50 per mo.	File Clerk
Myatt, Phyllis E.	Nov. 13, 1940	Toronto	62.50 per mo.	File Clerk

Name	Date of Appointment	Address at Date of Appointment	Commencing Salary	Official Title
Somerville, Mrs. Emma	Nov. 25, 1940	Toronto	\$65.00 per mo.	Stenographer
Resigned Feb. 18, 1941.				
Sedgwick, Mrs. E. Marion	Dec. 2, 1940	Toronto	75.00 per mo.	Clerk
Steel, Margaret	Dec. 2, 1940	Toronto	62.50 per mo.	File Clerk
Jeffrey, Emily	Dec. 2, 1940	Toronto	65.00 per mo.	Stenographer
Sayers, Harry W. R.	Dec. 9, 1940	Richmond Hill	100.00 per mo.	P. R. Auditor
Belfie, Shirley H.	Jan. 6, 1941	Waterford	62.50 per mo.	Typist and Clerk
Smith, N. Fae	Jan. 10, 1941	Toronto	65.00 per mo.	Typist
Bolton, Dorelle A.	Jan. 13, 1941	Toronto	80.00 per mo.	Aide, Occupational Therapy Clinic
Youles, Gladys	Jan. 15, 1941	Toronto	62.50 per mo.	Clerk
McRobert, June	Jan. 20, 1941	Toronto	62.50 per mo.	Clerk
McArthur, Winnifred	Jan. 20, 1941	Toronto	62.50 per mo.	Clerk
Costigan, Helen E.	Jan. 20, 1941	Long Branch	62.50 per mo.	Clerk
O'Connor, Alice	Jan. 21, 1941	Toronto	62.50 per mo.	Clerk, Clinic
Graham, Ralph	Feb. 1, 1941	Weston	110.00 per mo.	Technician, Silicosis Station
Lang, John	Feb. 1, 1941	Kirkland Lake	2,000 per yr.	Supt. Mine Rescue Station
Pless, Katherine	Feb. 3, 1941	Toronto	65.00 per mo.	Typist and Clerk
Payne, Walter J.	Feb. 3, 1941	St. John's, Newfoundland	75.00 per mo.	Technician, Silicosis Station
Taylor, Mrs. Mary	Feb. 7, 1941	Toronto	45.00 per mo.	Supervisor Lunch Room
McDermid, Barbara E.	Feb. 17, 1941	Toronto	80.00 per mo.	Aide, Physiotherapy Clinic
Hales, Wm. G. E.	Mar. 1, 1941	Toronto	95.00 per mo.	Utility Clerk
Pinkham, Neil W.	Mar. 3, 1941	Toronto	75.00 per mo.	Clerk
Auston, Frances B.	Mar. 3, 1941	Toronto	80.00 per mo.	Aide, Physiotherapy Clinic
Skells, Edna F.	Mar. 6, 1941	Toronto	62.50 per mo.	Stenographer

4.

Name	Official Title	Salary	Date of Termination of Services
Faulkner, Dr. Geo.	Medical Officer and X-Ray Technician, Silicosis Stn.	\$250.00 per mo.	June 30, 1938
Shoemaker, John R.	P. R. Auditor	25.00 per week	Aug. 20, 1938
Carling, Russell J.	P. R. Auditor	30.00 per week	Sept. 15, 1938
Clark, Robt.	Technician, Silicosis Station	40.00 per week	Jan. 23, 1939
Young, Russell B.	Pensions Investigator	115.00 per month	Jan. 28, 1939
Cuthbert, John A.	P. R. Auditor	30.00 per week	Apr. 30, 1939
MacMillan, Norman.	Clerk	95.00 per month	June 30, 1940
Kennedy, W. J.	Assessment Investigator	1,800 per year	Oct. 31, 1940
Bickerton, Geo. M.	Assessment Investigator	110.00 per month	Dec. 7, 1940

The services of the above-mentioned members of the staff were discontinued because they were found not suitable for the work.

Mr. Stewart asked the following Question (No. 96):—

1. Has the ministry any knowledge of cessation of mining activity in and about Kirkland Lake, and if so, what are the reasons.

The Honourable the Minister of Mines replied as follows:—

1. No. There have been changes in the tonnage of ore treated from time to time, but these changes, including reduction of tonnage, are matters of engineering policy and certainly do not indicate cessation of mining activities in and about Kirkland Lake.

Mr. Macaulay asked the following Question (No. 100):—

1. Are any Issuers of Automobile Licenses acting as Insurance Agents.
2. If so, give names and addresses.

The Honourable the Attorney-General replied as follows:—

1. Yes.
 2. Mr. Homer Lockhart, Sarnia, Ontario; Mr. Cephas Sleep, Port Perry, Ontario; Mr. David T. Hodgson, Bracebridge, Ontario; Mr. A. Wilson Lang, Timmins, Ontario.
-

The following Bills were severally read the second time:—

Bill (No. 3), An Act respecting The London Street Railway Company and the Corporation of the City of London.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 4), An Act respecting the Rockwood Town Hall.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 6), An Act respecting the City of Port Arthur and the Public Utilities Commission of Port Arthur.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 8), An Act respecting the Village of Swansea.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 51), An Act to amend The Municipal Act.

Referred to the Committee on Municipal Law.

Bill (No. 52), An Act to amend The Municipal Act.

Referred to the Committee on Municipal Law.

Bill (No. 57), An Act to amend The Jurors Act.

Referred to the Committee on Legal Bills.

Bill (No. 61), An Act to amend The Railway Act.

Referred to the Committee on Municipal Law.

Bill (No. 53), An Act to amend The Mental Hospitals Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 58), An Act to amend The Venereal Diseases Prevention Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 60), An Act to amend The Northern Development Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 62), An Act to amend The Agricultural Representatives Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 63), An Act to amend The Milk and Cream Act.

Referred to a Committee of the Whole House to-morrow.

The Order of the Day for the second reading of Bill (No. 19), An Act respecting the City of Windsor, having been read,

Ordered, That the Order be discharged, and that the Bill be referred back to the Committee on Private Bills for further consideration.

The Order of the Day for the second reading of Bill (No. 56), An Act to amend The Weed Control Act, having been read,

Ordered, That the Order be discharged, and that the Bill be withdrawn.

The House again resolved itself into a Committee to consider Bill (No. 37), An Act to amend The Judicature Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House then adjourned at 5.20 p.m.

TUESDAY, MARCH 18TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petition was read and received:—

Of the Board of Park Management of the City of Hamilton, praying that an Act may pass incorporating a body to be known as Royal Botanical Gardens and authorizing the transfer to the said Corporation the property known as Royal Botanical Gardens.

Mr. Elliott, from the Standing Committee on Private Bills, presented their Third Report which was read as follows and adopted:—

Your Committee begs to report the following Bills without amendment:—

Bill (No. 15), An Act to incorporate the Daughters of the Empire Hospital for Convalescent Children.

Bill (No. 17), An Act respecting St. George's Church, Guelph.

Bill (No. 18), An Act respecting a Trust Settlement of the late Peter Birtwistle and the Corporation of the Borough of Colne (England).

Your Committee beg to report the following Bill with certain amendments:—

Bill (No. 5), An Act respecting the Town of Orillia.

Mr. Glass, from the Standing Committee on Standing Orders, presented the following as their Fourth and Final Report which was read as follows and adopted:—

Your Standing Committee on Standing Orders has carefully examined the following Petitions and finds the notices as published in each case sufficient:—

Of the Corporation of the Town of Timmins praying that an Act may pass authorizing the Town of Timmins to collect poll tax for residents of the Town from employers of such men who are employed outside the Town limits.

Of the Corporation of the County of Waterloo, praying that an Act may pass to validate an agreement made by the Petitioner with the Corporation of the City of Galt and the Corporation of the City of Kitchener.

In connection with Bill (No. 24), "An Act respecting Royal Botanical Gardens" your Committee recommends that this Bill be introduced in the House and be referred for consideration by the Committee on Private Bills, free from the requirements of Rule No. 66 regarding advertising of notice and that the provisions of Rule No. 66 be suspended so far as they relate to this Bill.

Ordered, That Bill (No. 24), "An Act respecting Royal Botanical Gardens" be introduced in the House and referred for consideration by the Committee on Private Bills, free from the requirements of Rule No. 66 regarding advertising of notice and that the provisions of Rule No. 66 be suspended so far as they relate to this Bill.

The following Bills were severally introduced and read the first time:—

Bill (No. 22), intituled, "An Act respecting the Town of Timmins." *Mr. Habel.*

Referred to the Committee on Private Bills.

Bill (No. 23), intituled, "An Act respecting the County of Waterloo and the Cities of Kitchener and Galt." *Mr. Smith.*

Referred to the Committee on Private Bills.

Bill (No. 24), intituled, "An Act respecting Royal Botanical Gardens." *Mr. Newlands.*

Referred to the Committee on Private Bills.

Mr. Murphy asked the following Question (No. 21):—

1. What is the total amount paid to date for lighting equipment in connection with the Queen Elizabeth Highway. 2. How many of the new monogrammed light standards have been installed. 3. What was the total cost of complete equipment and installation of these standards.

The Honourable the Minister of Highways replied as follows:—

1. \$365,159.67. 2. 158. 3. \$15,324.16.

Mr. Black asked the following Question (No. 51):—

1. Does the Province of Ontario receive any direct revenue by reason of the renovation of Old Fort Henry at Kingston and, if so, what amount has been received up to January 31st, 1941. 2. Have any amounts been spent in connection with the rehabilitation of Old Fort Henry over and above the sum of \$831,895.10 as reported in the Votes and Proceedings of February 23rd, 1940. 3. If so, what additional amounts have been so spent. 4. In connection with the rehabilitation of Old Fort Henry, have any amounts been paid to W. L. Somerville, Architect, over and above the sum of \$36,044.18 reported in the Votes and Proceedings of February 23rd, 1940. 5. If so, what additional amounts have been paid Mr. Somerville. 6. Has the work of rehabilitation been completed and if not, what is the estimated cost of completion. 7. Has the Province of Ontario assumed any responsibility as to the continuing maintenance of the fort or of the roads built or used in connection with the rehabilitation programme,

and, if so, give particulars. 8. Is the fort in whole or in part, open to tourists or visitors at the present time.

The Honourable the Prime Minister replied as follows:—

1. \$13,230.73 was received by the Province prior to the Fort being occupied by the Dominion Government. 2. No. 3. See answer to (2). 4. No. 5. See answer to (4). 6. Yes. 7. The Fort being used for war purposes, the Dominion Government assumes all responsibility. 8. No.

Mr. Henry asked the following Question (No. 71):—

1. What is the total mileage of Provincial Highways in the organized counties that has been added since July 10th, 1934. 2. How many miles have been paved on such mileage since assumption into the Provincial System.

The Honourable the Minister of Highways replied as follows:—

1. 1,854.64. 2. 272.37.

Mr. Downer asked the following Question (No. 79):—

1. How many tourist booklets were purchased in each of the fiscal years ending March 31st, 1939 and 1940, and during the period April 1st, 1940, to December 31st, 1940. 2. From whom were the books purchased. 3. What was the unit price in each case and what was the total amount paid the vendor in each case. 4. Who supplied the photographs and what was the total amount paid to each person supplying photographs in each of the periods mentioned in (1).

The Honourable the Prime Minister replied as follows:—

1, 2, 3 and 4. The Ontario Booklets have been prepared by The Travel and Publicity Bureau and not purchased as a unit. Paper, plates and cover designs were bought separately and then contract for printing let. Practically all photographs were supplied by Canadian National Railways, Canadian Pacific Railways, Dominion Travel Bureau, Ontario Highways Department, various municipalities and tourist resorts. Numbers and costs of the booklet are as follows:—

Fiscal year ending March 31st, 1939: George Davis Company—purchase of plates, \$795.60; Provincial Paper Mills—paper, \$6,887.29; Brigdens Limited—design and original plates and nickletypes for cover, \$500.40; London Printing & Lithographing Co., Ltd.—printing 160,200 copies, \$3,992.85; Total, \$12,176.14. Northern Ontario Booklet, preparation and printing 81,017 copies—Rolfe, Clarke, Stone, Ltd., \$5,161.36.

Fiscal year ending March 31st, 1940: "Travel Ontario on the King's Highways"—Royal Year Official Travel Booklet—Leslie M. Smith, cover design and plates, \$310.00; Sutherland Press, printing and pebbling cover, \$1,129.27;

Bomac Engravers, Ltd., \$3,403.61; Paper—Provincial Paper Mills & Alliance Paper Mills, \$6,733.34; London Printing & Lithographing Co., Ltd.—printing 156,350 copies, \$5,133.45; Total, \$16,709.67. Northern & Northwestern Ontario Booklet, Canadian Geographical Society—preparation and printing 50,000 copies, \$5,000.00; 16,675 additional copies of previous Ontario Booklet with electros and cartons, Alex Anderson, printer, \$1,412.36.

Fiscal year ending March 31st, 1941: "Ontario Welcomes You"—Official travel booklet—preparation of cover, Bomac Engravers, Ltd., \$172.29; Paper—Provincial Paper Mills & Alliance Paper Mills, \$4,519.48; Printing 102,950 copies, London Printing & Lithographing Co., Ltd., \$3,009.91; Total, \$7,701.68. "Northern and Northwestern Ontario Booklet"—preparation and printing 103,800 copies at .06c, Canadian Geographical Society, \$6,228.00.

Mr. Murphy asked the following Question (No. 93):—

1. During the fiscal year 1941, what quantities of sand have been bought by the Government up to December 31st, 1940, in connection with paving and other works incidental to completion of Queen Elizabeth Way between Burlington and Niagara Falls, specifying: (a) Quantity of sand purchased from each company, firm or individual; (b) Unit price with respect to each purchase and total amount paid to each company, firm or individual; (c) Indicating whether purchases were made by competitive tender; whether the lowest tender was accepted in each case and if not, give complete list of tenders with reason why lowest tender was not accepted.

The Honourable the Minister of Highways replied as follows:—

1. None.

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That when this House adjourns to-day it do stand adjourned until four-thirty of the clock to-morrow afternoon out of respect to the memory of the late Joseph E. Thompson, former Speaker of this Legislative Assembly.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was on the motion of Mr. Duckworth,

Ordered, That the Debate be adjourned until Thursday next.

The House then adjourned at 4.45 p.m.

WEDNESDAY, MARCH 19TH, 1941

PRAYERS.

4.30 O'CLOCK P.M.

Mr. Strachan, from the Standing Committee on Legal Bills, presented their Report which was read as follows and adopted:—

Your Committee begs to report the following Bills with certain amendments:—

Bill (No. 41), "An Act to amend The Magistrates Act."

Bill (No. 57), "An Act to amend The Jurors Act."

Mr. Spence asked the following Question (No. 87):—

1. Since August 31st, 1934, what is the total amount of Succession Duty free bonds bought in by the Government. 2. What is the total amount of Succession Duty free bonds still outstanding, giving details as to the various issues.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

Series	Succession Duty			
	Free Bonds and Stock Outstanding, August 31st, 1934	Purchased for Cancellation Prior to Maturity	Retired at Maturity	Outstanding as at March 14th, 1941
3½% Bonds and Stock, due July 1st, 1936....	\$ 148,000.00	\$ 97,350.00	\$ 50,650.00	\$
3½% Bonds and Stock, Series "A".....	665,950.00	356,300.00	309,650.00	.....
3½% Bonds and Stock, Series "B".....	224,000.00	217,000.00	.....	7,000.00
3½% Bonds and Stock, Series "C & D".....	1,188,400.00	559,100.00	.....	629,300.00
	\$2,226,350.00	\$1,229,750.00	\$360,300.00	\$ 636,300.00
4% Inscribed Stock....	1,547,175.70	5,840.00	.....	1,541,335.70
4½% Inscribed Stock...	834,412.54	98,720.32	.....	735,692.22
	\$4,607,938.24	\$1,334,310.32	\$360,300.00	\$2,913,327.92

Of the \$636,300 of bonds and stock, \$7,000 mature and will be redeemed on the 1st of May, 1941, and \$629,300 mature and will be redeemed on the 1st of November, 1941.

Of the \$2,277,027.92 of 4 and 4½% outstanding inscribed stock payable in London, England, there is now held in the Provincial Sinking Funds, inscribed stock purchased for account of the Province of Ontario by the Trustees, the Bank of Montreal, London, England, as follows:—

4%.....	\$ 881,648.93
4½%.....	479,641.50
Total.....	<u>\$1,361,290.43</u>

In respect to the balance outstanding, viz.:—

4%.....	\$ 659,686.77
4½%.....	256,050.72
Total.....	<u>\$ 915,737.49</u>

arrangements are now in progress with the Bank of Canada to redeem all of the outstanding inscribed stock, amounting to \$915,737.49, in order to provide additional Canadian dollars to the British Government to assist in war financing.

In the result, there will be no outstanding Province of Ontario Succession Duty free bonds, stocks or other obligations after November 1st, 1941.

Mr. Downer asked the following Question (No. 89):—

1. Who are the members of the Grand River Conservation Commission as provided by Chapter 15, Statutes of Ontario, 2 George VI, 1938, and when was each appointed and by whom. 2. Who are the Chairman, the Vice-Chairman and the Secretary-Treasurer of the Commission. 3. What are the names and addresses of the Board of Engineers and who is the Chairman. 4. What amount, if any, has been paid by the Government in connection with the Grand River conservation scheme. 5. What works have been completed to date under the Grand River conservation scheme, what remain to be completed and when is the scheme expected to be completed. 6. What is the estimated total cost of the scheme, what is the estimated share of the cost to each municipality which is a member and what is the estimated total cost to the Government.

The Honourable the Minister of Public Works replied as follows:—

1. Commissioners	Year Appointed	Municipality
E. T. Sterne.....	1938	Brantford
Mayor J. P. Ryan.....	1940	Brantford
F. P. Adams.....	1938	Brantford
Marcel Pequegnat.....	1938	Kitchener
George W. Gordon.....	1938	Kitchener
Mayor W. S. McKay.....	1938	Galt
William Philip.....	1938	Galt
Mayor J. P. McCammon.....	1940	Paris
Mayor William J. Pelz.....	1941	Preston
Mayor W. D. Brill.....	1941	Waterloo
Udney Richardson.....	1938	Elora
Hugh Templin.....	1938	Fergus

- | | | |
|--------------------------|------------------|---------------|
| 2. Chairman..... | William Philip | Galt |
| Vice-Chairman..... | Marcel Pequegnat | Kitchener |
| Secretary-Treasurer..... | F. P. Adams | Brantford |
| 3. H. G. Acres..... | Chairman | Niagara Falls |
| C. C. Fairchild..... | O.L.S. | Brantford |
| Herbert Johnston..... | O.L.S. | Kitchener |
4. Amount paid by Provincial Government to date, \$464,453.18.

5. Work on the Shand Dam, located on the Grand River about three miles above the Municipality of Fergus, has been completed as follows:—

- (a) All earth excavation and fill has been completed.
- (b) All concrete has been placed except a gap in the spillway section of the dam 40 feet wide and about 18 feet in height which was left to pass the spring floods. This can be closed as soon as the matter of the C.P.R. bridge located above the dam has been settled.
- (c) The steel gates for regulating the flow of the river have been fabricated and will be put in place as soon as the gap in the spillway is closed.
- (d) Road diversions and property purchases are nearly completed. The remaining work on the Shand Dam will be completed this summer.

6. The estimated total cost of the Shand Dam project is \$1,652,333.00, which will be divided among the different governments and municipalities as follows:—

Total Estimated Cost.....	\$1,652,333.00
Provincial Government's Share, 37½%.....	\$619,624.00
Federal Government's Share, 37½%.....	619,624.00
Municipalities Share, 25%.....	413,085.00
	<hr/> 1,652,333.00

Municipalities' share divided as follows:—

Brantford.....	38.43%	\$158,748.57
Kitchener.....	28.76%	118,803.24
Galt.....	16.25%	67,126.31
Waterloo.....	6.00%	24,785.10
Preston.....	4.27%	17,638.73
Paris.....	3.47%	14,334.05
Fergus.....	2.02%	8,344.32
Elora.....	.80%	3,304.68
	<hr/> 100.00%	<hr/> \$413,085.00

NOTE.—An application for the abandonment of the Fergus-Cataract branch of the C.P.R. line is now before the Board of Transport Commissioners for Canada. If the application is not granted a portion of the line will have to be relocated, which will increase the estimated cost by approximately \$220,000.00, of which increased amount the Province will be required to contribute 37½%; provision for this contingency has been provided for in the 1941-42 Estimates.

The construction of a dam at the outlet to the Luther Marsh has been considered but will not be proceeded with for the duration of the war; the aforementioned estimates do not include this project.

The following Bill was read the third time and was passed:—

Bill (No. 37), An Act to amend The Judicature Act.

The following Bills were severally read the second time:—

Bill (No. 15), An Act respecting the Daughters of the Empire Preventorium.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 17), An Act respecting St. George's Church, Guelph.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 18), An Act respecting the Peter Birtwistle Estate Settlement.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 48), An Act to confirm Tax Sales.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 59), An Act respecting British Child Guests.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 64), An Act to amend The Mining Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 67), An Act to amend The Mining Tax Act.

Referred to a Committee of the Whole House to-morrow.

The Order of the Day for the second reading of Bill (No. 68), An Act to amend The Jurors Act, having been read, and a debate having arisen, after some time it was, on the motion of Mr. Murray,

Ordered, That the Debate be adjourned until to-morrow.

The House then adjourned at 6.00 p.m.

THURSDAY, MARCH 20TH, 1941

PRAYERS.

3.00 O'CLOCK P.M.

Mr. Elliott, from the Standing Committee on Private Bills, presented their Fourth Report which was read as follows and adopted:—

Your Committee begs to report the following Bill without amendment:—

Bill (No. 21), An Act respecting the City of Sudbury.

Your Committee begs to report the following Bill with certain amendments:—

Bill (No. 11), An Act respecting the City of Toronto.

With respect to Bill (No. 20), An Act respecting the Township of Teck, this Bill was withdrawn with the approval of the Committee. Your Committee would recommend that the fees less the penalties, if any, and the actual cost of printing be remitted.

Ordered, That the fees less the penalties, if any, and the actual cost of printing be remitted on Bill (No. 20), An Act respecting the Township of Teck, the same having been withdrawn with the approval of the Committee.

The following Bill was introduced and read the first time:—

Bill (No. 72), intituled, "An Act to Ratify and Confirm a certain agreement entered into between His Majesty the King and the Algoma Central and Hudson Bay Railway Company." *Mr. Conant*.

Ordered, That the Bill be read a second time to-morrow.

Mr. Stewart asked the following Question (No. 94):—

1. Are power users not given in their power contracts the exact voltage, to guide them in purchasing transformers, the Commission having in the contracts a clause "allowing for 10% more or less"—this leeway often causing great loss to power users. If such conditions exist, give reasons.

The Honourable the Prime Minister replied as follows:—

Commercial power cannot be supplied by a Power Company on an economical basis at an exact predetermined voltage, and, in making contracts for a supply of power, it is standard practice to specify the normal voltage of supply in the power agreement and provide for a variation in voltage of 10 per cent above or below the normal voltage.

All Manufacturing Companies making transformers design them with taps by means of which power can be received at the delivered voltage, which may vary, as above set out, and by selection of the proper transformer tap deliver power to the Customer's motors at the voltage required. This standard practice does not result in loss to power users.

Mr. Stewart asked the following Question (No. 95):—

1. Is it the policy of the Ontario Hydro Power Commission to require of persons, desiring the use of hydro in Northern Ontario, to make large deposits of cash (refusing to accept bonding companies' bonds) before the Commission will extend power service, while a competitive company in the same area does not demand cash guarantees. If so, why.

The Honourable the Prime Minister replied as follows:—

In supplying power to mines in Northern Ontario, it has been the Commission's practice to ask customers operating new, undeveloped and unestablished mines to deposit satisfactory bonds with the Commission in amounts sufficient, so that should the customer default on his contract and/or cease taking power within two or three years after power is first supplied, the Commission is protected against loss in having to scrap the transmission line and equipment installed to serve the customer.

Should the customer, however, continue to take power, these bonds are returned to him on a standard basis, as set out in the power agreement.

It is our understanding that competitive Power Companies in the district also demand somewhat similar protection from new mining customers.

Mr. Kennedy asked the following Question (No. 107):—

1. Who are the members of the Temiskaming and Northern Ontario Railway Commission and when was each appointed. 2. What is their rate of salary or other remuneration. 3. What other positions, if any, are held by the Commissioners with the Temiskaming and Northern Ontario Railway or with the Ontario Government and state salaries or other remuneration in connection therewith.

The Honourable the Prime Minister replied as follows:—

1. A. H. Cavanagh, who was appointed as member and Vice-Chairman 28th April, 1936, and as Chairman 1st April, 1940. 2. No remuneration for these positions. 3. Mr. Cavanagh is also General Manager of the Railway at a salary of \$12,000 a year.

Mr. Kennedy asked the following Question (No. 108):—

1. Is Mr. Wishart Campbell employed in the Ontario Public Service. 2. If so, in what capacity. 3. When was he appointed. 4. What is his salary. 5. Does he give full time to his duties in the public service.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

1. No. 2, 3, 4 and 5. Answered by 1.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Strachan,

Ordered, That the Debate be adjourned until Tuesday next.

The House then adjourned at 5.30 p.m.

FRIDAY, MARCH 21st, 1941

PRAYERS.

3 O'Clock P.M.

The following Bills were severally introduced and read the first time:—

Bill (No. 73), intituled, "An Act to amend The Income Tax Act (Ontario)." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Bill (No. 74), intituled, "An Act to amend The Corporations Tax Act, 1939." *Mr. Conant*.

Ordered, That the Bill be read a second time on Monday next.

Mr. Macaulay asked the following Question (No. 98):—

1. How many miles of lighting system is installed on the Kingston Road east of Toronto. 2. When was this system put into operation. 3. Since the

system was put in operation what have been the maintenance costs in each fiscal year including current, replacement of bulbs, repairs and all other items.

The Honourable the Minister of Highways replied as follows:—

1. 1.4. 2. January 2nd, 1940. 3. 1939-40 (3 months), \$475.38; 1940-41 (11 months), \$1,709.55.

Mr. Macaulay asked the following Question (No. 102):—

1. What mileage of paving, if any, has been done on the new four-lane highway between Highland Creek and Oshawa. 2. With respect to the section of highway mentioned in (1), what mileage of paving remains to be done. 3. With respect to the section of highway mentioned in (1): (a) What mileage of grading has been completed; (b) What mileage of grading remains to be done.

The Honourable the Minister of Highways replied as follows:—

1. None. 2. 17.2. 3. (a) 17.2 approximately 65% completed; (b) 17.2 approximately 35% to be completed.

Mr. Acres asked the following Question (No. 103):—

1. Is Walter Woodward still Assistant Inspector under the Woodmen's Employment Act; if not, what is his present position. 2. What is his present salary.

The Honourable the Minister of Lands and Forests replied as follows:—

1. Yes. 2. \$250.00 a month.

Mr. Kennedy asked the following Question (No. 120):—

1. What was the rate of provincial per diem paid or payable to Sanatoria for Consumptives and the total amount of provincial grant to Sanatoria for Consumptives paid in each hospital year from October 1st, 1933, to September 30th, 1940. 2. Has the rate been determined for the hospital year commencing October 1st, 1941, and if so, what is it. 3. Does the per diem rate vary from year to year, and, if so, how is it determined.

The Honourable the Minister of Health replied as follows:—

Provincial per diem grant for the	Adults	Infants	Indigents from Unorganized Territory	Total
Year ending Sept. 30, 1934...	\$.69 $\frac{3}{8}$	.....	\$2.00	\$ 738,397.54
Year ending Sept. 30, 1935...	.67 $\frac{1}{2}$	.....	2.00	741,538.38
Year ending Sept. 30, 1936	.67 $\frac{1}{2}$	.....	2.00	760,506.82
Year ending Sept. 30, 1937...	.57 $\frac{1}{2}$	.....	2.00	670,860.35
9 months to June 30, 1938...	.57 $\frac{1}{2}$	.....	2.00—	
3 months to Sept. 30, 1938...	2.07 $\frac{1}{2}$	\$1.00	2.00	1,136,592.45
Year ending Sept. 30, 1939...	2.00	1.00	2.00	2,311,556.58
*3 months to Dec. 31, 1939...	2.00	1.00	2.00	581,428.94
Year ending Dec. 31, 1940...	2.00	1.00	2.00	2,370,531.00

*On October 1, 1939, the hospital year was changed to end of December 31st.

2. No. 3. Yes, but cannot exceed \$2.07 $\frac{1}{2}$. It is determined on the basis of the actual financial status of the sanatoria following a study of the expense and revenue returns submitted to the Department.

Mr. Duckworth asked the following Question (No. 126):—

1. How many Prisons, Gaol Farms, Industrial Farms or other penal institutions have been converted into Mental Hospitals by the present Government and are now operated as such. 2. Where are they located. 3. What were their former designations. 4. What was the patient population as of December 31st, 1940.

The Honourable the Provincial Secretary replied as follows:—

1. 3. 2. Langstaff, Concord and Fort William, Ontario. 3. Industrial Farm, Langstaff; Industrial Farm, Concord; Fort William Industrial Farm. 4. The patient population as of December 31st, 1940, is as follows:—

Langstaff.....	327 male patients in residence
Concord.....	73 female “ “ “
Fort William.....	90 male “ “ “

The following Bills were severally read the second time:—

Bill (No. 11), An Act respecting the City of Toronto.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 21), An Act respecting the City of Sudbury.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 66), An Act to amend The Sanatoria for Consumptives Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 70), An Act to amend The Natural Gas Conservation Act.

Referred to a Committee of the Whole House on Monday next.

The Order of the Day for the second reading of Bill (No. 5), An Act respecting the Town of Orillia, having been read,

And a debate having arisen,

After some time it was, on the motion of Mr. Heenan,

Ordered, That the Debate be adjourned until Monday next.

On motion of Mr. McQuesten, seconded by Mr. Dēwan,

Ordered, That this House do forthwith resolve itself into a Committee to consider a certain proposed Resolution respecting the payment by the Government of certain moneys so called for by Bill (No. 71).

Mr. Hepburn (Elgin) acquainted the House that His Honour the Lieutenant-Governor, having been informed of the subject matter of the proposed Resolution, recommends it to the consideration of the House.

The House then resolved itself into the Committee.

(In the Committee)

Resolved—(a) That payment of \$500,000.00 out of the Highway Improvement Fund to The Hydro-Electric Power Commission of Ontario for the credit of the account of the railway from the City of Toronto to the Village of Port Credit, and the railway from the Village of Port Credit to the City of St. Catharines which were authorized and undertaken under The Hydro-Electric Railway Act, 1914, on the books of the Commission as a consideration for the transfer by the Commission to His Majesty, represented by the Minister of Highways for Ontario, of the lands described in Schedule "A" to Bill No. 71, "An Act respecting Relief to Municipalities regarding Hydro-Electric Railways," be validated and confirmed; and

(b) That the liabilities of the said railways outstanding after the reductions indicated in the said Bill and amounting to \$1,246,622.82 as of the 31st day of March, 1941, be assumed by the Province and be paid by the Treasurer of Ontario to the Commission out of the Consolidated Revenue Fund.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, that the Committee had come to a certain Resolution.

Ordered, That the Report be now received.

Resolved—(a) That payment of \$500,000.00 out of the Highway Improvement Fund to The Hydro-Electric Power Commission of Ontario for the credit of the account of the railway from the City of Toronto to the Village of Port Credit, and the railway from the Village of Port Credit to the City of St. Catharines which were authorized and undertaken under the Hydro-Electric Railway Act, 1914, on the books of the Commission as a consideration for the transfer by the Commission to His Majesty, represented by the Minister of Highways for Ontario, of the lands described in Schedule “A” to Bill No. 71, “An Act respecting Relief to Municipalities regarding Hydro-Electric Railways”, be validated and confirmed; and

(b) That the liabilities of the said railways outstanding after the reductions indicated in the said Bill and amounting to \$1,246,622.82 as of the 31st day of March, 1941, be assumed by the Province and be paid by the Treasurer of Ontario to the Commission out of the Consolidated Revenue Fund.

The Resolution having been read the second time, was agreed to, and referred to the House on Bill (No. 71).

The following Bill was read the second time:—

Bill (No. 71), An Act respecting Relief to Municipalities regarding Hydro-Electric Radials.

Referred to a Committee of the Whole House on Monday next.

The House resolved itself into a Committee, severally to consider the following Bills:—

Bill (No. 3), An Act respecting The London Street Railway Company and the Corporation of the City of London.

Bill (No. 4), An Act respecting the Rockwood Town Hall.

Bill (No. 6), An Act respecting the City of Port Arthur and the Public Utilities Commission of Port Arthur.

Bill (No. 8), An Act respecting the Village of Swansea.

Bill (No. 15), An Act respecting the Daughters of the Empire Preventorium.

Bill (No. 17), An Act respecting St. George's Church, Guelph.

Bill (No. 18), An Act respecting the Peter Birtwistle Estate Settlement.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the several Bills without Amendments.

Ordered, That the Bills reported be severally read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 60), An Act to amend The Northern Development Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 62), An Act to amend The Agricultural Representatives Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 63), An Act to amend The Milk and Cream Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 59), An Act respecting British Child Guests, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 64), An Act to amend The Mining Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 67), An Act to amend The Mining Tax Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time on Monday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor —

Annual Report of the Hospitals Division on Ontario Hospitals for the Mentally Ill, Mentally Defective, Epileptic and Habituate Patients for year ending March 31st, 1940. (*Sessional Papers No. 15.*)

Also, Report of Provincial Auditor, 1939-40. (*Sessional Papers No. 27.*)

The House then adjourned at 3.50 p.m.

MONDAY, MARCH 24TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Immediately following prayers Prime Minister Hepburn announced that the Assembly was honoured by the presence of Mr. Wendell L. Willkie, "Good Will Ambassador from the United States," accompanied by Mrs. Willkie. Before presenting Mr. Willkie the Prime Minister officially welcomed Mrs. Willkie to the Legislative Assembly of Ontario and assured her that the people of Ontario were honoured by her presence.

Mr. Hepburn then introduced Mr. Willkie as a man "who has attained undying fame as a friend of Britain and a friend of humanity." He welcomed his great assistance in starting Canada's drive for her War Service Fund. Britain, he pointed out, is looking to Canada to do a great share in meeting the attacks of the Hun and nothing but an "all out" effort will be sufficient. Canada would measure up to her responsibilities and would, in common with other units of the British Empire, do her share in providing men, munitions and materials to aid in prosecuting the War to a successful conclusion.

"By his action in visiting Britain," said Mr. Hepburn, "by his actions there

and in the United States, by his words and his enthusiasm, Mr. Willkie has demonstrated that he is one of those men who are prepared to sacrifice their own interests, to sacrifice their time and material prospects in order that freedom and democracy may be preserved on this Earth."

"The free people of the British Empire," he said, "and the enslaved nations of Europe looking longingly for deliverance, will never forget the prompt and efficient aid received by them from our guest of this afternoon."

"I have been much moved," said Mr. Willkie, "by the splendid reception we have received in Toronto. I have been much moved by the welcome extended to me when I recently had the pleasure of visiting Our Mother Country, England. For the people of the British Isles I cannot sufficiently express my admiration."

"I am doing what I am doing, I am saying what I am saying, in England, in the United States, in Canada, because to me, next to my family, liberty is the most precious thing in life. I am glad to be received in the Legislative Assembly of Ontario where the functions of our democratic liberty are being pursued."

Mr. Willkie declared that we must all admit that democracy has not functioned with the efficiency which could reasonably be demanded of it, that the leaders of democracy during the past twenty years had not measured up to the duties of their positions.

"The real test of the world to-day," he said, "is whether or not the Democratic system can be so effective as to compete successfully with the totalitarian system. The success of democracy in that test calls for a higher type of service than we have had from our public men in the past. I call upon you members of this Legislative Assembly of Ontario to give to the people a finer, higher type of leadership in order that our institutions may be preserved for us and for the world. We carry two flags, one to stop totalitarian aggression, and one to carry on the liberties handed down to us by our forefathers. Let us see that we carry them both to the utmost success."

Colonel Drew, leader of the Opposition, expressed the appreciation of the Assembly and of the packed galleries to Mr. and Mrs. Willkie.

"By two remarks, Sir," said Colonel Drew, "you have shown how far above party politics you have risen. When you said to the Senate Committee in Washington, 'He is my President,' you demonstrated your sincerity and breadth of vision; when, this afternoon, you referred to Great Britain as 'Our Mother Country' you raised yourself high above the common run of men and gave witness to that good feeling which has developed and will continue to develop between these great nations in whose hands rests the fate of the world."

Mr. Drew recalled that the Legislative Chamber had welcomed many distinguished visitors, notably, less than two years ago, our King and Queen. To-day we added an illustrious name to that list.

He called attention to the British and American flags suspended above the Throne, a new departure in honour of our guest and said, "We echo to the utmost

the feeling expressed by you regarding the preservation of freedom. We are sitting to-day beneath two flags which represent that feeling and we are sure that those two flags together will preserve that freedom for the world.'

The Prime Minister then moved, seconded by Mr. Drew, and it was unanimously

Resolved, That this Legislative Assembly of Ontario in Parliament assembled desires to express and to record on the Journals of the House the appreciation of its Members, and of the people of Ontario, whom they represent, of the action of Mr. Wendell Willkie in visiting Ontario and in addressing this Assembly, and to assure him that his attitude in aid of the defence of the British Empire has secured for him the affection and admiration of all the people of Canada. And this Assembly further desires to express through Mr. Willkie to the President and the people of the United States this token of the sincere gratitude of Ontario for the action taken by the Government of that Country in support of democracy and freedom in our World.

The Prime Minister then moved that, out of respect to the Assembly's distinguished guest, the House adjourn.

And the House was accordingly adjourned at 3.30 p.m.

TUESDAY, MARCH 25TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petition was brought up and laid upon the Table:—

By Mr. Strachan, the Petition of the Corporation of the City of Toronto.

Mr. Elliott, from the Standing Committee on Private Bills, presented their Fifth Report which was read as follows and adopted:—

Your Committee begs to report the following Bills without amendment:—

Bill (No. 14), An Act respecting Certain Lodges of the Grand Lodge of Ontario, Independent Order of Odd Fellows.

Bill (No. 23), An Act respecting the County of Waterloo and the Cities of Kitchener and Galt.

The following Bills were severally introduced and read the first time:—

Bill (No. 75), intituled, "An Act to amend The Bees Act." *Mr. Dewan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 76), intituled, "An Act to amend The Milk Control Act." *Mr. Dewan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 77), intituled, "The School Law Amendment Act, 1941." *Mr. Nixon (Brant)*

Ordered, That the Bill be read a second time to-morrow.

Mr. Murphy asked the following Question (No. 75):—

1. Who is the Representative of the Government on the Toronto and York Roads Commission. 2. Who was the former Representative. 3. When was he replaced.

The Honourable the Minister of Highways replied as follows:—

1. No one. 2. No one. 3. See answer to (2).

Mr. Macaulay asked the following Question (No. 99):—

1. What portion of Queen Elizabeth Way between Hamilton and Niagara Falls is being provided with an illuminating system; state mileage. 2. To date, what portion has been provided with a lighting system and on what portion does the work remain to be completed. 3. What has been spent on the lighting system to date and what is estimated cost of completing the work on that portion of the highway for which the illumination programme has been adopted. 4. What is the per light cost of the installation. 5. From whom were the following items purchased, what were unit prices and what was total amount paid each firm, company or individual, stating when each order was placed: (a) Poles; (b) Lighting fixtures, including lamps; (c) Wiring. - 6. Who made or is to make the installation and under what terms. 7. What is the estimated annual maintenance cost in the section included, specifying: (a) Power costs; (b) All other maintenance charges.

The Honourable the Minister of Highways replied as follows:—

1. From the Windermere Cut-off to Thorold Road—36.5 miles. 2. All of the portion mentioned in (1) has been provided with a lighting system. 3. On the portion mentioned in (1) the amount spent to date is \$263,432.82. The estimated cost of completing the work is \$15,000.00. 4. On the portion mentioned in (1) the per light cost of installation is \$133.28. 5. All items of equip-

ment purchased by Hydro-Electric Power Commission of Ontario. 6. Hydro-Electric Power Commission of Ontario at actual cost. 7. (a) \$25,000.00; (b) \$7,500.00.

Mr. Elgie asked the following Question (No. 109):—

1. As of January 1st, 1935, and January 1st, 1941, how many authorities issued by the Liquor Control Board of Ontario were in effect in the following categories in relation to the sale of beer and wine: (a) Standard hotels; (b) Social clubs; (c) Soldier and labour clubs; (d) Military messes; (e) Railways; (f) Steamships. 2. How many hotels in the Province on the dates mentioned in (1) had standard hotel licenses but without authority to sell beer or wine.

The Honourable the Prime Minister replied as follows:—

1.	Jan. 1st, 1935	Jan. 1st, 1941
(a) Hotels, Standard.....	1,102	1,197
(b) Clubs, Social.....	110	132
(c) Clubs, Veteran and Labour.....	81	105
(d) Military Messes.....	61	159
(e) Railways.....	1	1
(f) Steamships.....	4	10

(Steamship Authorities shown were not in operation on January 1st, 1935, or 1941.)

2.	Jan. 1st, 1935	Jan. 1st, 1941
Hotels, Standard.....	215	121
(Without Authorities.)		

Mr. Acres asked the following Question (No. 119):—

1. How many members of the Civil Service of Ontario are over the age of 70, specifying: (a) Number drawing superannuation; (b) Number continuing to draw salary but not superannuation.

The Honourable the Prime Minister replied as follows:—

1. (a) 13; (b) 8.

NOTE:—When a superannuated Civil Servant is retained, his salary is reduced by the amount of his allowance.

Mr. Acres asked the following Question (No. 128):—

1. What authorities for the sale of liquor are in force in the Town of Wallaceburg and state: (a) Name of hotel, club or as the case may be; (b) Name of authority holder; (c) Date authority originally granted.

The Honourable the Prime Minister replied as follows:—

HOTELS AND CLUBS IN WALLACEBURG, ONTARIO

(a) Name of Hotel or Club	(b) Name of Authority Holder	(c) Date of Ori- ginal Issue
Kent Hotel.....	C. Van Watteghem.....	6th Nov., 1939
Tecumseh Hotel.....	A. J. Mahoney.....	31st July, 1934
Wallaceburg Hotel.....	H. C. Hunter.....	23rd July, 1934
Canadian Legion, Branch No. 18....	Same as (a).....	25th July, 1934

In respect to Question (No. 97) regarding the holders of beverage room authorities in Toronto, the Hon. Mr. Nixon requested that this Question be made an Order for a Return and on the motion of Mr. Stewart, seconded by Mr. Murphy,

Ordered, That there be laid before this House a Return showing:—

1. What are the names of individual proprietors, names in partnerships, directors and shareholders of corporations having beverage room authorities as of January 1st, 1941, for the City of Toronto and also for the County of York, giving transfers since that date. 2. Does the Liquor Commission impose regulations that require authority holders to reveal whether they are sole proprietors and if not, give names of persons associated.

The following Bills were read the third time and were passed:—

Bill (No. 3), An Act respecting The London Street Railway Company and the Corporation of the City of London.

Bill (No. 4), An Act respecting the Rockwood Town Hall.

Bill (No. 6), An Act respecting the City of Port Arthur and the Public Utilities Commission of Port Arthur.

Bill (No. 8), An Act respecting the Village of Swansea.

Bill (No. 15), An Act respecting the Daughters of the Empire Preventorium.

Bill (No. 17), An Act respecting St. George's Church, Guelph.

Bill (No. 18), An Act respecting the Peter Birtwistle Estate Settlement.

Bill (No. 60), An Act to amend The Northern Development Act.

Bill (No. 62), An Act to amend The Agricultural Representatives Act.

Bill (No. 63), An Act to amend The Milk and Cream Act.

Bill (No. 59), An Act respecting British Child Guests.

Bill (No. 64), An Act to amend The Mining Act.

Bill (No. 67), An Act to amend The Mining Tax Act.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Doucett,

Ordered, That the Debate be adjourned until Thursday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Return to an Order of the House, dated March 25th, 1941,

That there be laid before this House a Return showing: 1. What are the names of individual proprietors, names in partnership, directors and shareholders of corporations having beverage room authorities as of January 1st, 1941, for the City of Toronto and also for the County of York, giving transfers since that date. 2. Does the Liquor Commission impose regulations that require authority holders to reveal whether they are sole proprietors and if not, give names of persons associated. (*Sessional Papers No. 47.*)

The House then adjourned at 5.10 p.m.

WEDNESDAY, MARCH 26TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Petition was read and received:—

Of the Corporation of the City of Toronto, praying that the Legislative Assembly appoint a Commission of Experts to revise The Assessment Act.

Mr. Carr, from the Standing Committee on Municipal Law, presented their First Report, which was read as follows and adopted:—

Your Committee begs to report the following Bill with one amendment:—

Bill (No. 50), An Act to amend The Highway Traffic Act.

Your Committee beg to report the following Bill without amendment:—

Bill (No. 61), An Act to amend The Railway Act.

The following Bill was introduced and read the first time:—

Bill (No. 78), intituled, "An Act to amend The Municipal Act." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Elgie asked the following Question (No. 112):—

1. Who are the auditors for the Liquor Control Board of Ontario. 2. What remuneration have they received from the Government or the Liquor Control Board in each of the fiscal years from 1935 to 1940, inclusive.

The Honourable the Prime Minister replied as follows:—

1. Robertson, Robinson, McCannell & Dick, Chartered Accountants, Toronto. 2. This firm upon appointment commenced their duties on April 1st, 1940, and from that date to February 28th, 1941, have been paid \$12,066.63. During the fiscal years from November 1st, 1934, to March 31st, 1940, the Auditors of the Liquor Control Board of Ontario were Brokenshire, Scarff and Co., Chartered Accountants, of Windsor and Toronto, and were paid as follows:—

For 5 months ending March 31st, 1935.....	\$ 4,298.22
For 12 months ending March 31st, 1936.....	10,000.00
For 12 months ending March 31st, 1937.....	13,548.87
For 12 months ending March 31st, 1938.....	13,000.00
For 12 months ending March 31st, 1939.....	13,237.82
For 12 months ending March 31st, 1940.....	15,000.00

Mr. Henry asked the following Question (No. 121):—

1. Under what terms was the Toronto Gaol Farm for Women taken over by the Province of Ontario from the City of Toronto and when. 2. What has been the cost to the Government as to operating the former Toronto Gaol Farm for Women as a mental hospital since opening as such giving amounts for each fiscal year and specifying: (a) Capital expenditure; (b) Ordinary expenditure. 3. State average number of patients in residence for each fiscal year since opening

and number in residence December 31st, 1940. 4. State average number of staff for each fiscal year since opening and total staff as of December 31st, 1940.

The Honourable the Provincial Secretary replied as follows:—

1. The Women's Farm at Concord (not including farm lands) was leased from the City of Toronto for a period of three years from March 1st, 1937, at a rental of \$3,500.00 per annum and taxes to provide accommodation for mental tuberculosis patients. The Province agreed to maintain the buildings and plant and to restore same to their original condition on the expiration of the lease. A supplementary agreement was entered into with the City of Toronto when the lease expired in February, 1940, which provided for occupancy by the Province of the whole institution for the duration of the war without payment of rent, but reimbursing the City for fire insurance premiums and such municipal taxes as may be payable to the Township of Vaughan.

2. (a) None.

(b) By Public Works Department:

Year ending March 31st, 1937.....	\$1,671.99
Year ending March 31st, 1938.....	1,305.28
Year ending March 31st, 1939.....	457.57
Year ending March 31st, 1940.....	178.00

By Health Department:

Year ending March 31st, 1937.....	\$ 6,367.33
Year ending March 31st, 1938.....	44,491.71
Year ending March 31st, 1939.....	45,193.18
Year ending March 31st, 1940.....	39,968.44

3. Year ending March 31st, 1938.....	70
Year ending March 31st, 1939.....	73
Year ending March 31st, 1940.....	67
December 31st, 1940.....	73
4. Year ending March 31st, 1938.....	24
Year ending March 31st, 1939.....	26
Year ending March 31st, 1940.....	23
December 31st, 1940.....	40

Mr. Acres asked the following Question (No. 130):—

1. Who is the Chief Commissioner of the Liquor Control Board of Ontario.
2. When was he appointed. 3. What is his salary.

The Honourable the Prime Minister replied as follows:—

1. The Honourable Arthur St. Clair Gordon. 2. April 29th, 1939. 3. \$8,000.00 per annum.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Challies,

Ordered, That the Debate be adjourned until Thursday next.

The Provincial-Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Copy of agreement between the Government of Ontario and the Government of Canada regarding the proposed Great Lakes-St. Lawrence Basin Development, together with correspondence, documents and engineer's reports regarding the same. (*Sessional Papers No. 48.*)

The House then adjourned at 5.00 p.m.

THURSDAY, MARCH 27TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Miller, from the Standing Committee on Fish and Game, presented their Report which was read as follows and adopted:—

Your Standing Committee on Fish and Game begs leave to report as follows:—

Your Committee held two meetings, the first on March 19th, the second on March 20th. Delegations were heard from the Northern Ontario Tourist Trade Association, Sudbury Sportsmen's Association, Essex County Sportsmen's Association, Kent County Sportsmen's Association, Norfolk County Sportsmen's Association and Peterborough Game and Fish Association. Recommendations submitted to the Committee by these bodies were referred to the Department.

In connection with a recommendation for a Provincial Rod License, Hon. Mr. Nixon stated that there could be no further taxation of any type this year.

Mr. Elliott, from the Standing Committee on Private Bills, presented their Sixth and Final Report which was read as follows and adopted:—

Your Committee begs to report the following Bill without amendment:—

Bill (No. 24), An Act respecting The Royal Botanical Gardens.

Your Committee begs to report the following Bills with certain amendments:—

Bill (No. 9), An Act to incorporate Malton Water Company.

Bill (No. 10), An Act respecting National Steel Car Corporation, Limited.

Bill (No. 16), An Act respecting the Roman Catholic Separate Schools for the City of Toronto.

Bill (No. 19), An Act respecting the City of Windsor.

Bill (No. 22), An Act respecting the Town of Timmins.

Mr. Drew asked the following Question (No. 60):—

1. What was the total amount paid for the advertisement appearing in papers throughout Ontario under the heading "These are the Facts." 2. Who prepared this advertisement. 3. Who gave instructions for its publication. 4. Were arrangements for its publication made direct or through an advertising agency. 5. If through an advertising agency, what was the name of the agency.

The Honourable the Prime Minister replied as follows:—

1. \$21,381.10. 2. James Fisher Advertising Agency. 3. The Honourable the Prime Minister and Provincial Treasurer. 4. Arrangements were made through the James Fisher Advertising Agency. 5. Answered by No. 4.

Mr. Macaulay asked the following Question (No. 101):—

1. With respect to bus lines operating on King's Highways, are any measures taken by the Government to see that proper bus accommodation is provided for passengers; if so, what is the nature of the measures taken. 2. Are there any rules or regulations of the Government to require that proper seating accommodation is provided for passengers and if so what are the requirements. 3. Are there any rules or regulations on the part of the Government to prevent the aisles in busses operating on the King's Highways being crowded by standing passengers; if so, what are the requirements and what measures are taken to enforce them.

The Honourable the Minister of Highways replied as follows:—

1. Services are under observation of inspectors of Department of Highways and complaints regarding inadequacy of service are promptly investigated and readjustment of schedules of operations required where necessary or desirable in the public interest. 2. Yes. Regulations passed pursuant to the Public Vehicles Act restrict standing passengers to one-third of the number for which seats are provided. Regulations are enforced by special inspectors attached to the Department of Highways and by Provincial Police Officers. 3. See answer to 2.

Mr. Kennedy asked the following Question (No. 106):—

1. What was the gold production of Ontario in each year from 1930 to 1940: (a) In ounces; (b) In dollars. (State closing date for year; value per ounce used in conversion to dollars.) 2. Give the same data as requested in (1) as to: (a) Silver; (b) Platinum.

The Honourable the Minister of Mines replied as follows:—

1. GOLD			
Year ending December	(a) Ounces	(b) Value \$	Value \$ per ounce
1930.....	1,736,012	\$ 35,923,260	\$20.69
1931.....	2,085,815	45,043,837	21.60
1932.....	2,287,394	53,418,449	23.35
1933.....	2,155,518	61,044,951	28.32
1934.....	2,105,341	72,808,688	34.58
1935.....	2,220,336	78,068,169	35.16
1936.....	2,378,494	83,308,179	35.02
1937.....	2,587,094	90,508,689	34.98
1938.....	2,896,477	101,945,441	35.20
1939.....	3,086,060	112,114,762	36.33
1940 (Preliminary).....	3,261,334	125,566,006	38.50

2 (a) SILVER			
1930.....	10,531,243	\$ 3,998,112	\$.38
1931.....	6,603,027	1,880,860	.28
1932.....	6,216,490	1,910,937	.31
1933.....	5,375,030	1,912,934	.36
1934.....	5,523,938	2,600,393	.47
1935.....	6,320,670	4,068,906	.64
1936.....	5,218,354	2,325,850	.45
1937.....	4,701,865	2,093,764	.45
1938.....	4,316,558	1,865,798	.43
1939.....	4,690,166	1,891,437	.40
1940 (Preliminary).....	5,477,701	2,026,749	.37

2 (b)

PLATINUM METAL

Year ending December	(a) Ounces	(b) Value \$	Value \$ per ounce
1930.....	34,000	\$ 1,542,172	\$45.358
1931.....	44,725	1,595,117	35.665
1932.....	27,151	1,091,674	40.207
1933.....	24,746	856,190	34.599
1934.....	116,177	4,488,712	38.691
1935.....	105,335	3,444,455	32.700
1936.....	131,551	5,319,922	40,440
1937.....	139,355	6,751,774	48.450
1938.....	161,310	5,196,279	32.213
1939 } No figures have been published for these years at request of the			
1940 } Dominion Government as suppression of such information is			
			desirable as a war measure.

Mr. Henry asked the following Question (No. 116):—

1. How many dentists are employed in institutions within the jurisdiction of the Department of the Provincial Secretary, and state: (a) Name of dentist and date of appointment; (b) Name of institution in each case; (c) Whether appointment part time or full time; (d) Salary, or if part time, basis of remuneration; (e) Amount paid each dentist in the fiscal year ended March 31st, 1940, and also during the period April 1st, 1940, to December 31st, 1940.

The Honourable the Provincial Secretary replied as follows:—

1. Five Dentists employed.

(a) Name and Date of Appointment	(b) Name of Institution
Dr. H. B. Black—Nov. 19, 1927.....	Andrew Mercer Reformatory.
Dr. G. A. Cowan—Jan. 1, 1939.....	Ontario Training School for Girls, Galt.
Dr. R. E. Dinniwel—Sept. 24, 1934...	Ontario Training School for Boys, Bowmanville.
Dr. J. H. Stitt—Jan. 1, 1939.....	Industrial Farm, Burwash.
Dr. E. S. Burrows—Jan. 1, 1939.....	Ontario Reformatory, Guelph.
Dr. W. S. Hand }	
Dr. R. A. Wylie }—As required.....	Industrial Farm, Seagram.

(c) All appointments are for part time services.

(d) Basis of remuneration:

Mercer Reformatory.....	\$ 8.00 per half day.
Ontario Training School for Girls, Galt.....	10.00 per half day.
Ontario Training School for Boys, Bowmanville	20.00 per day.
Industrial Farm, Burwash.....	20.00 per day.
Ontario Reformatory, Guelph.....	8.00 per half day.
Industrial Farm, Seagram.....	20.00 per day, plus Railway Fare.

(e) Amount Paid in Fiscal Year ending March, 1940		Apr. 1st to Dec. 31st, 1940
Dr. H. B. Black	—\$ 416.00	\$312.00
Dr. G. A. Cowan	— 920.00	770.00
Dr. R. E. Dinniwel	— 1,020.00	780.00
Dr. J. H. Stitt	— 1,080.00	840.00
Dr. E. S. Burrows	— 408.00	640.00
Dr. D. M. Foster	— 416.00	.....
Dr. W. G. S. McLennan	— 416.00	104.00 (3 months
Dr. W. S. Hand	— (plus \$3.15 exp.)	20.00 only)
Dr. R. A. Wylie	— (plus 17.00 exp.)	40.00

Mr. Henry asked the following Question (No. 117):—

1. What is the name, address and date of appointment of each member of the Ontario Board of Parole. 2. What amount has been paid to each member of the Ontario Board of Parole for the fiscal years 1938, 1939, and 1940 as (a) per diem allowance and (b) travelling and living expenses. 3. What is the rate of per diem allowance. 4. During the fiscal years 1938, 1939 and 1940 what members of the Ontario Board of Parole received honoraria for special services and what amount was paid to each of such members in each of the fiscal years mentioned. 5. What was the nature of the special services performed during the fiscal years 1938, 1939 and 1940 by members of the Ontario Board of Parole and who ordered or requested that such special services be performed. 6. What was the legislative authority for the honoraria mentioned in (4).

The Honourable the Provincial Secretary replied as follows:

1. Judge J. F. McKinley, 2 Queen Street, Ottawa, Ontario—Appointed Jan. 12th, 1932, also appointed Chairman on same date; Mr. Leon J. Long, Stratford, Ontario—Appointed Nov. 23rd, 1932; Col. A. F. Hatch, 71 Melrose Avenue, Hamilton, Ontario—Appointed Oct. 17th, 1933; Mr. R. S. Clark, Guelph, Ontario—Appointed Jan. 22nd, 1936; Mrs. D. Strachan, Toronto, Ontario—Appointed Nov. 5th, 1935; Mr. W. B. Common, Department of Attorney-General, Toronto, Ontario—Appointed June 22nd, 1936.

2. (a) and (b)—

Fiscal Year ending March 31st, 1938

	Allowance	Expenses
R. S. Clark.....	\$480.00	\$355.00
W. B. Common.....		56.90
A. F. Hatch.....	360.00	261.20
L. J. Long.....	510.00	592.50
J. F. McKinley.....	390.00	766.71
Mrs. D. Strachan.....	75.00	.....

Fiscal Year ending March 31st, 1939

	Allowances	Expenses
R. S. Clark.....	\$420.00	\$210.00
W. B. Common.....		27.60
A. F. Hatch.....	390.00	340.60
L. J. Long.....	525.00	642.70
J. F. McKinley.....	390.00	789.70
Mrs. D. Strachan.....	75.00	.....

Fiscal Year ending March 31st, 1940

R. S. Clark.....	\$315.00	\$128.00
A. F. Hatch.....	450.00	548.90
L. J. Long.....	540.00	717.60
J. F. McKinley.....	450.00	884.50
Mrs. D. Strachan.....	90.00	.....

3. \$15.00 per day. 4. 1938—R. S. Clark, \$1,000.00; L. J. Long, \$1,000.00. 1939—R. S. Clark, \$750.00; L. J. Long, \$750.00. 1940—Nil. 5. Extra responsibility, time and work because of absence and illness of other members of the Board of Parole. This was done with the consent of the Honourable the Provincial Secretary. 6. Special Warrants in accordance with Audit Act, Chapter 24, R.S.O. 1937, Section 13, subsection 1, clause B.

Mr. Acres asked the following Question (No. 124):—

1. How many mining claims were (a) staked, (b) leased, (c) patented, in each fiscal year, 1930 to 1940, inclusive, and for the period April 1st, 1940, to December 31st, 1940. 2. How many Miners' Licenses were issued in each of the periods mentioned in (1).

The Honourable the Minister of Mines replied as follows:—

1 (a) 1930.....	3,886
1931.....	5,779
1932.....	4,945
1933.....	8,077
1934.....	16,888
1935.....	9,440
1936.....	17,295
1937.....	15,292
1938.....	9,047
1939.....	6,772
1940.....	4,667

(These figures are given on the basis of calendar year rather than fiscal year in keeping with records available. As there is very little activity in the period January 1st to March 31st, there would be very little change in the figures on the fiscal year basis.)

	(b)	(c)
November, 1929, to October, 1930.....	100	362
November, 1930, to October, 1931.....	92	279
November, 1931, to October, 1932.....	110	222
November, 1932, to October, 1933.....	112	405
November, 1933, to October, 1934.....	127	415
November, 1934 to March, 1935.....	16	318
April, 1935, to March, 1936.....	107	495
April, 1936, to March, 1937.....	218	354
April, 1937, to March, 1938.....	259	786
April, 1938, to March, 1939.....	232	545
April, 1939, to March, 1940.....	319	704
April, 1940, to end of calendar year.....	219	415
2. 1930.....		7,432
1931.....		6,982
1932.....		5,702
1933.....		7,278
1934.....		12,068
1935.....		10,179
1936.....		13,131
1937.....		13,855
1938.....		9,669
1939.....		7,713
1940.....		5,470

(Note explanatory remarks accompanying answer to 1 (a).)

Mr. Reynolds asked the following Question (No. 132):—

Is teak wood being used in any of the executive offices in the new Hydro building, University Avenue, Toronto. If so: (a) In what offices; (b) Estimated cost; (c) From whom purchased.

The Honourable the Prime Minister replied as follows:—

No teak wood authorized by the Commission for the finishing of any of its offices.

Mr. Macaulay asked the following Question (No. 134):—

1. What was the cost per mile to the Government in each of the fiscal years ending March 31st, 1939, and March 31st, 1940, for roadside maintenance on King's Highways including the cutting of grass, hay and weeds, removing leaves, papers and other debris, reseeding and replanting, trimming of trees, shrubs, etc.

The Honourable the Minister of Highways replied as follows:—

Year ending March 31st, 1939—\$24.92. Year ending March 31st, 1940—\$27.55.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Hepburn (Prince Edward-Lennox),

Ordered, That the Debate be adjourned until Tuesday next.

The House then adjourned at 6.00 p.m.

FRIDAY, MARCH 28TH, 1941

PRAYERS.

3 O'CLOCK P.M.

On the motion of Mr. Nixon (Brant), seconded by Mr. Hipel,

Ordered, That the Provincial Auditor be and is hereby authorized to pay the salaries of the Civil Service employees and other necessary payments following the close of the present fiscal year on March 31st, 1941, and until Supply for the ensuing fiscal year is voted by this House, such payments to be charged to the proper appropriations following the voting of Supply.

The following Bill was introduced and read the first time:—

Bill (No. 79), An Act to amend The Power Commission Insurance Act.
Mr. Houck.

Ordered, That the Bill be read a second time on Monday next.

On motion of Mr. Macaulay, seconded by Mr. Drew,

Ordered, That there be laid before this House a Return of all letters, correspondence, memoranda, estimates, recommendations, rulings, directions, tenders, orders and documents of whatsoever nature in the possession of the Government or of any member, official, or employee, of the Government, respecting the installation of a lighting system on any part of the Queen Elizabeth Way between Hamilton and Niagara Falls, and including documents relating to purchase of material and contracts relating to the installation.

In respect to Question (No. 77) regarding the cost of planting trees and shrubs and sodding on Queen Elizabeth Way from Toronto to Hamilton, the Hon. Mr. Nixon requested that this Question be made an Order for a Return and on the motion of Mr. Murphy, seconded by Mr. Stewart,

Ordered, That there be laid before this House a Return showing:—

1. What was the total cost of the shrubs, trees and rose bushes planted on the Queen Elizabeth Way from Toronto to Hamilton, and specify: (a) Unit cost with respect to each type of shrub, tree and rose bush; (b) Total cost with respect to each type of shrub, tree and rose bush; (c) Name of each vendor and total amount paid each vendor and stating address in each case. 2. What was the total amount of labour costs, trucking costs and all other items incidental to planting. 3. What was the total cost of sodding operations on the Queen Elizabeth Way from Toronto to Hamilton, indicating: (a) Unit prices; (b) Total cost of sod; (c) From whom purchased, address; (d) Labour costs; (e) Trucking and all other incidental costs.

Mr. Reynolds asked the following Question (No. 36):—

1. How many Rural Power Districts under the jurisdiction of the Hydro-Electric Power Commission has: (a) Deficits; (b) Surpluses; for the years 1935-40 inclusive, with total amounts in each case for each year, after provision was made for depreciation and sinking fund charges. 2. What changes, if any, have been made in reserve provisions: (a) Depreciation; (b) Sinking Fund; (c) Contingencies; for Rural Power Districts since October 31st, 1939.

The Honourable the Prime Minister replied as follows:—

1. RURAL POWER DISTRICTS

SURPLUS OR DEFICIT, 1935 TO 1940 INCLUSIVE—EACH YEAR

Year	SURPLUS FOR YEAR		DEFICIT FOR YEAR	
	Amount	No. of Districts	Amount	No. of Districts
1935.....	\$124,482.71	67	\$ 97,172.05	104
1936.....	171,394.26	90	61,650.77	84
1937.....	197,595.72	85	100,231.14	92
1938.....	189,046.92	65	125,846.11	113
1939.....	247,322.42	67	195,435.31	117
1940.....	275,438.75	69	201,767.63	115

2. No change.

Mr. Kennedy asked the following Question (No. 122):—

1. What amount has been collected by way of Provincial Land Tax in each fiscal year since the tax was imposed. 2. What arrears were outstanding as of December 31st, 1940. 3. What amount of tax was in dispute as of December 31st, 1940. 4. What companies, firms or individuals claim that their respective holdings are not liable for this tax and what is the amount claimed by the Province in each case. 5. Has legal action been initiated by the Province to settle the matter referred to in (4) and if so, against whom, when, and in what amounts; if not, why not.

The Honourable the Minister of Lands and Forests replied as follows:—

1. Fiscal year ending October 31st, 1926.....	\$ 1,412.75
Fiscal year ending October 31st, 1927.....	76,088.68
Fiscal year ending October 31st, 1928.....	157,551.83
Fiscal year ending October 31st, 1929.....	127,580.59
Fiscal year ending October 31st, 1930.....	139,832.01
Fiscal year ending October 31st, 1931.....	131,851.20
Fiscal year ending October 31st, 1932.....	119,728.08
Fiscal year ending October 31st, 1933.....	119,135.06
Fiscal year ending October 31st, 1934.....	131,447.74
November 1st, 1934, to March 31st, 1935.....	107,301.57
Fiscal year ending March 31st, 1936.....	131,928.13
Fiscal year ending March 31st, 1937.....	178,880.63
Fiscal year ending March 31st, 1938.....	234,941.97
Fiscal year ending March 31st, 1939.....	129,228.01
Fiscal year ending March 31st, 1940.....	133,945.12
Total.....	\$1,920,853.27

2. \$65,959.02. 3. None. 4. There was a large amount owing by the Algoma Central and Hudson Bay Railway Company up to the end of 1939, and this Company claimed that The Provincial Land Tax Act was not intended to apply to their land holdings; this contention has not been admitted by the Crown. However, a settlement has been effected between the Company and the Crown which is embodied in Bill No. 72, now before the House. Exemption has been granted generally to farmers in unorganized territory actually engaged in cultivating their lands and also to the owners of humble homes in hamlets which lack municipal organization. 5. Answered by (4).

Mr. Challies asked the following Question (No. 127):—

1. What was the total peak power sold on the Niagara System inclusive of power used for steam production, export power contractual obligations and peak demand for the months of January, November and December for the years 1939-40, divided into (a) Primary and secondary power; (b) List of companies securing secondary power and amount in each case, as indicated in (a).

The Honourable the Prime Minister replied as follows:—

NIAGARA 25 AND 60 CYCLE SYSTEM

(a) Primary and Secondary Power.

	Total Peak Power Sold (Generated and Purchased Peak)			Additional Quantities which Cus- tomers were entitled to under Primary Contracts
	Total	Primary	Secondary	
January, 1939	1,412,064 H.P.	1,139,276 H.P.	272,788 H.P.	50,000 H.P.
November, 1939	1,485,925 "	1,285,523 "	200,402 "	35,000 "
December, 1939	1,514,879 "	1,262,064 "	252,815 "	30,000 "
January, 1940	1,507,775 "	1,286,595 "	221,180 "	32,000 "
November, 1940	1,537,265 "	1,341,822 "	195,443 "	27,000 "
December, 1940	1,589,544 "	1,336,059 "	253,485 "	24,000 "

NOTE:—The primary and secondary loads shown in the above table are the simultaneous quantities at the time of the total generated and purchased peak and, therefore, are not necessarily the maximum primary or secondary loads of the month.

(b) List of companies securing secondary power and amount in each case as indicated in (a):

1939			
	January	November	December
Beaver Wood Fibre Co.	0 H.P.	4,021 H.P.	0 H.P.
Canadian Niagara Power Co.	105,496 "	9,383 "	83,914 "
Gatineau Power Co.	53,619 "	0 "	0 "
Interlake Paper Co.	6,702 "	7,373 "	0 "
North Amer. Cyanamid Co.	58,043 "	86,863 "	82,842 "
Ontario Paper Co.	40,885 "	85,389 "	81,367 "
Provincial Paper Co.	8,043 "	7,373 "	4,692 "
	272,788 "	200,402 "	252,815 "
1940			
	January	November	December
Canadian Niagara Power Co.	20,912 H.P.	59,786 H.P.	113,405 H.P.
Cedars Rapids Trans. Co.	24,933 "	49,464 "	48,525 "
North Amer. Cyanamid Co.	86,193 "	86,193 "	91,555 "
Ontario Paper Co.	80,429 "	0 "	0 "
Provincial Paper Co.	8,713 "	0 "	0 "
	221,180 "	195,443 "	253,485 "

Mr. Doucett asked the following Question (No. 143):—

In connection with the advertisement regarding the Rowell-Sirois Conference entitled "These are the Facts": 1. What was the amount paid for the stereotyped plates and mounting for same. 2. What was the cost of expressing these plates to the different newspapers which carried this advertisement throughout the Province. 3. What was the cost of wiring, telephoning, etc., instructions regarding these advertisements to the newspapers carrying same. 4. Did all newspapers in Ontario get this advertisement. If not, what newspapers did not, and why.

The Honourable the Prime Minister replied as follows:—

1. \$2,379.49. 2. \$106.75. 3. \$88.83. 4. No. All daily newspapers and almost all weekly newspapers in Ontario received the advertisement. A list of the papers which did not receive the advertisement is not available but it is believed that the information was sufficiently advertised to bring it to the attention of every citizen in the Province.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Smith,

Ordered, That the Debate be adjourned until Tuesday next.

The Order of the Day for resuming the Adjourned Debate on the motion for the Second Reading of Bill (No. 5), An Act respecting the Town of Orillia, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Frost,

Ordered, That the Bill be read a second time.

The following Bills were severally read the second time:—

Bill (No. 12), An Act respecting the County of Carleton and the University of Ottawa.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 14), An Act respecting Certain Lodges of Ontario I.O.O.F.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 23), An Act respecting the County of Waterloo and the Cities of Kitchener and Galt.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 24), An Act respecting the Royal Botanical Gardens.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 75), An Act to amend The Bees Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 77), The School Law Amendment Act, 1941.

Referred to a Committee of the Whole House on Monday next.

The Order of the Day for the second reading of Bill (No. 76), An Act to amend The Milk Control Act, having been read,

And a Debate having ensued,

After some time it was, on the motion of Mr. Nixon (Brant),

Ordered, That the Debate be adjourned until Monday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Workmen's Compensation Board of Ontario for the year 1940. (*Sessional Papers No. 28.*)

Also, Report of the Commissioner of the Ontario Provincial Police from January 1st, 1940, to December 31st, 1940. (*Sessional Papers No. 34.*)

Also, Return to an Order of the House dated March 28th, 1941, That there be laid before the House a Return showing—1. What was the total cost of the shrubs, trees and rose bushes planted on the Queen Elizabeth Way from Toronto to Hamilton, and specify: (a) Unit cost with respect to each type of shrub, tree and rose bush; (b) Total cost with respect to each type of shrub, tree and rose bush; (c) Name of each vendor and total amount paid each vendor

and stating address in each case. 2. What was the total amount of labour costs, trucking costs and all other items incidental to planting. 3. What was the total cost of sodding operations on the Queen Elizabeth Way from Toronto to Hamilton, indicating: (a) Unit prices; (b) Total cost of sod; (c) From whom purchased, address; (d) Labour costs; (e) Trucking and all other incidental costs. (*Sessional Papers No. 49.*)

The House then adjourned at 5.10 p.m.

MONDAY, MARCH 31ST, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bills were severally introduced and read the first time:—

Bill (No. 80), intituled, "An Act to amend The Division Courts Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 81), intituled, "An Act to amend The Temiskaming and Northern Ontario Railway Act." *Mr. Hepburn* (Elgin).

Ordered, That the Bill be read a second time to-morrow.

Mr. Black asked the following Question (No. 11):—

1. Did F. A. O'Connor, Director of Purchasing in the Department of Health, resign voluntarily, was he requested to resign or was he dismissed. 2. If he was requested to resign or dismissed why was such action taken. 3. What was his salary at the time of leaving the service. 4. Was he given any consideration by way of superannuation or leave of absence with salary when leaving the service and if so, state particulars. 5. Has a successor been appointed and if so, state name, official title, date of appointment and what persons recommended his appointment to the Minister of Health or to any other member of the Government. 6. If no successor has been appointed who is carrying on the work formerly done by Mr. F. A. O'Connor.

The Honourable the Minister of Health replied as follows:—

1. Requested to resign. 2. Services no longer necessary. 3. \$5,000.00.
4. No. 5. No. 6. Mr. J. G. Morrison.

Mr. Henry asked the following Question (No. 72):—

1. What is the mileage of the Queen Elizabeth Highway from the West limits of the City of Toronto to the North Limits of the City of Niagara Falls.
2. What is the total expenditure since July 10th, 1934, to date on such Highway.

The Honourable The Minister of Highways replied as follows:—

1. 74.15.

2. Property.....	\$ 2,123,402.38
Structures.....	2,461,547.15
Small structures, grading, drainage, lighting and paving. . .	8,662,105.33
	<hr/>
	\$13,247,054.86

Mr. Duckworth asked the following Question (No. 73):—

1. What are the names and salaries of all employees and members of the Hydro-Electric Power Commission now receiving salaries of over \$5,000 per year—what increases with amounts have each been paid since January, 1936.
2. What are the names of all employees and members of the Hydro-Electric Power Commission who have received any fees, retainers or honoraria over and above their regular hydro salaries from any sources whatever for engineering or economic services or advice—stating names of firms and persons paying, with amount each received each year since July, 1934.

The Honourable the Prime Minister replied as follows:—

1. Names and present monthly salaries and monthly increases with amounts paid since January, 1936 (all gross figures before deductions):—A. Aeberli, \$435.42; W. L. Amos, \$453.75; E. G. Archer, \$425.00, \$41.67; A. E. Davison, \$472.88; J. Dibblee, \$750.00, \$95.83, \$150.00; W. P. Dobson, \$600.00, \$47.08, \$25.00; H. C. DonCarlos, \$932.92; G. F. Drewry, \$504.17; T. U. Fairlie, \$525.00, \$42.08; D. Forgan, \$575.00; \$89.58, \$50.00; A. H. Frampton, \$450.00, \$96.06, \$100.00; A. C. Goodwin, \$425.00; \$41.67; W. G. Hanna, \$500.00, \$88.33; W. G. Hewson, \$459.17; Dr. T. H. Hogg, \$2,083.33, \$92.08, \$416.67, \$416.66; O. Holden, \$700.00, \$52.08, \$75.00; Hon. W. L. Houck, \$666.67; A. H. Hull, \$700.00, \$103.37; T. C. James, \$504.17; R. T. Jeffery, \$1,125.00, \$67.08, \$125.00; J. J. Jeffery, \$662.92; A. G. Lang, \$500.00, \$27.12; A. W. Manby, \$450.00, \$20.25, \$40.00, \$50.00; G. J. Mickler, \$459.17; T. R. Millar, \$460.00, \$46.75; O. S. Mitchell, \$450.00, \$75.00; J. R. Montague, \$460.00, \$27.25, \$45.00; H. J. Muehleman, \$550.00, \$24.58; A. H. McBride, \$504.17; M. J. McHenry, \$833.33; D. A. McKenzie, \$482.92; A. McPherson, \$450.00, \$36.25, \$50.00; G. Pace, \$482.92;

W. G. Pierdon, \$932.92; S. M. Richardson, \$482.92; F. A. Robertson, \$435.42; A. S. Robertson, \$465.00, \$38.33, \$15.00; H. D. Rothwell, \$500.00, \$20.83, \$20.00; B. O. Salter, \$475.00, \$39.58; G. Service, \$435.42; C. B. Sharpe, \$475.00, \$39.58; G. B. Smith, \$435.42; J. A. Smith, \$666.67; J. J. Traill, \$425.00, \$13.33; G. E. Waller, \$624.59; J. N. Wilson, \$459.17; E. M. Wood, \$450.00, \$75.22; R. B. Young, \$475.00, \$14.58, \$25.00. 2. The Commission's records do not contain this information.

Mr. Acres asked the following Question (No. 104):—

1. What is the estimated forest area in Ontario burnt over in each of the calendar years 1937, 1938, 1939 and 1940, stating as to each year the number of acres as to Forest Districts. 2. What are the estimated total quantities of timber and pulpwood destroyed and the estimated value thereof or alternately, if quantities and values destroyed are not known, state quantities of timber and pulpwood estimated to be on the burnt areas and give value thereof, stating basis for calculation as to value.

The Honourable the Minister of Lands and Forests replied as follows:—

1. Forest Areas Burned Over:

District	1937 (acres)	1938 (acres)	1939 (acres)	1940 (acres)
Sioux Lookout.....	88,079	4,840	4,774	80,445
Kenora.....	31,912	5,430	13,661	2,968
Fort Frances.....	299	98,454	117	4,010
Port Arthur.....	45,741	8,867	5,750	13,167
Kapuskasing.....	6,471	359	164	10,165
Cochrane.....	2,708	3,702	269	1,006
North Bay.....	7,238	870	214	527
Sudbury.....	22,984	3,477	2,146	2,539
Sault Ste. Marie.....	16,186	11,041	614	3,479
Parry Sound.....	1,479	256	181	1,240
Algonquin Park.....	1,189	414	290	1,269
Tweed.....	460	535	918	799
Totals.....	224,746	138,245	29,098	121,614

2. Estimated Quantities of Timber on Areas Burned Over:

	1937	1938	1939	1940
Sawlogs (F.B.M.).....	8,333,869	2,568,183	722,327	348,450
Pulpwood (Cords).....	442,660	117,386	17,615	77,082
Fuelwood (Cords).....	158,365	72,512	14,920	74,767
Ties (Pieces).....	51,007	5,165	664	8,690
Cedar Poles (Pieces).....	465	83	60	400
Cedar Posts (Pieces).....	7,285	2,665	1,835	375

Estimated Value of Timber on Areas Burned Over at Crown Stumpage

Dues:

	1937	1938	1939	1940
Sawlogs.....	\$ 20,659.15	\$ 5,826.09	\$ 1,776.73	\$ 866.82
Pulpwood.....	556,178.38	84,774.64	22,274.10	85,421.70
Fuelwood.....	49,838.14	21,123.93	4,261.18	20,292.56
Ties.....	5,100.70	516.50	66.40	869.00
Cedar Poles.....	117.75	30.25	22.75	100.00
Cedar Posts.....	145.70	53.30	36.70	7.50
Totals.....	\$632,039.82	\$112,324.71	\$28,468.86	\$107,557.58

NOTE.—These figures include all timber in areas inaccessible and accessible, unmarketable and marketable.

Mr. Kennedy asked the following Question (No. 110):—

1. How many acres of mining lands are there in Ontario: (a) Under lease; (b) Staked but not patented. 2. How many acres of mining lands are patented. 3. What is the annual acreage tax with respect to the lands mentioned in (1) and (2). 4. During the last complete fiscal year (specifying), what was the gross amount received in provincial taxation from: (a) Leased mining lands; (b) Patented mining lands; (c) Staked but unpatented mining lands. 5. What are the arrearages at close of last fiscal year respecting the items mentioned in (4). 6. During the last complete fiscal year, how many (a) leases, (b) stakings and (c) patents were cancelled for non-payment of taxes and also for failure to perform work.

The Honourable the Minister of Mines replied as follows:—

1. (a) Approximately 54,778 acres; (b) Approximately 883,120 acres. 2. Approximately 815,956 acres. 3. (1a) 5c. per acre; (1b) nil; (2) 5c. per acre. 4. Fiscal year 1939-40 (a) \$2,738.91; (b) \$40,797.82; (c) Nil. 5. (a) \$3,352.14; (b) \$20,696.54; (c) Nil. 6. (a) Nil; (b) No stakings were cancelled for non-payment of taxes, as unpatented claims are not subject to tax. 8,397 claims were cancelled for failure to perform work, non-renewal of license and non-application for patent; (c) 800.

Mr. Macaulay asked the following Question (No. 135):—

1. What amounts have been collected by the Government in each fiscal year from April 1st, 1935, to March 31st, 1940, by way of Gasoline Tax. 2. What purchasers or classes of purchasers are by Regulation under The Gasoline Tax Act entitled to refunds of Gasoline Tax paid to the Government. 3. What refunds of Gasoline Tax have been made to each class of purchaser in each of the fiscal years from April 1st, 1935, to March 31st, 1940. 4. Since April 1st, 1935, how many prosecutions have been made under the provisions of The Gasoline Tax Act, how many convictions have been secured and what is the total amount imposed in fines as the result of such prosecutions also specifying in how many

cases imprisonment has been imposed. 5. In each of the fiscal years from April 1st, 1935, to March 31st, 1940, what amounts have been paid or allowed as fees, commissions or other remuneration for collecting Gasoline Tax.

The Honourable the Minister of Highways replied as follows:—

1.	12 months ending	March 31st, 1936.	\$16,001,013.26
12	"	March 31st, 1937.	17,201,669.29
12	"	March 31st, 1938.	19,253,179.05
12	"	March 31st, 1939.	20,125,036.04
12	"	March 31st, 1940.	27,428,149.51

2. The Regulations passed pursuant to The Gasoline Tax Act provide, as follows:—

1.—(1) Where it is shown to the satisfaction of the Minister that gasoline purchased by a city or separated town was purchased for the sole use of supplying motive power for commercial motor vehicles belonging to such city or separated town and used exclusively within the limits thereof, the Minister may upon the application of the clerk of such city or separated town, remit the amount of the charge or tax or any part thereof paid upon the purchase of such gasoline, to the city or separated town.

(2) Where it is shown to the satisfaction of the Minister that gasoline has been purchased for a purpose other than that of supplying motive power for motor vehicles on the highways of Ontario, and has not or will not be used for such purpose, the Minister may upon the application of the purchaser of such gasoline remit the charge or tax paid by the purchaser.

(3) No such remission shall be made unless an application therefor in the form prescribed by the Minister, accompanied by properly receipted invoices, is forwarded to the Minister within six months from the date upon which payment was made for the gasoline in respect of which the remission is sought.

2.

TWELVE MONTHS ENDING

	Mar. 31/36	Mar. 31/37	Mar. 31/38	Mar. 31/39	Mar. 31/40
Farming	\$405,404.80	\$ 474,092.75	\$ 619,103.29	\$ 727,963.50	\$1,060,300.87
Manufacturing	122,173.91	338,679.34	401,562.60	356,186.92	515,988.74
Stationary Engines	105,162.04	187,256.22	159,458.22	136,657.28	165,044.47
Motor Boats	110,948.82	103,383.10	102,732.95	107,005.55	149,409.89
Contracting	79,173.78	62,111.14	50,956.14	53,549.13	76,566.32
Municipal Trucks	34,881.34	54,440.37	47,830.50	48,570.15	72,169.25
Cleaning	15,731.93	42,365.52	47,066.48	46,697.80	63,917.41
Aeroplanes	20,304.04	39,904.77	40,818.81	36,628.01	60,882.84
Government	7,582.73	6,274.95	5,789.97	7,218.70	9,616.16
Railways	24,446.30	38,784.26	33,493.21	19,005.86	34,396.57
Lumbering	21,676.85	35,450.43	44,995.10	42,052.27	57,963.11
Cities, Towns and Municipalities	13,881.25	31,249.41	13,564.17	11,382.88	14,575.78
American	17,651.77	25,800.06	25,227.06	27,176.58	38,905.41
Miscellaneous			16,416.08	1,152.51	3,053.57
	<u>\$979,019.56</u>	<u>\$1,439,792.32</u>	<u>\$1,609,014.58</u>	<u>\$1,621,247.14</u>	<u>\$2,322,790.39</u>

4. All prosecutions made under Criminal Code.

5. Fiscal Year Ending March 31st, 1936.....	\$261,930.26
“ “ “ March 31st, 1937.....	287,979.65
“ “ “ March 31st, 1938.....	322,299.10
“ “ “ March 31st, 1939.....	335,995.27
“ “ “ March 31st, 1940.....	346,276.95

Mr. Carr asked the following Question (No. 139):—

1. What is the estimated forest area in Ontario burnt over in each of the calendar years 1930, 1931, 1932 and 1933, stating as to each year the number of acres as to Forest Districts. 2. What are the estimated total quantities of timber and pulpwood destroyed and the estimated value thereof or alternately, if quantities and values destroyed are not known, state quantities of timber and pulpwood estimated to be on the burnt areas and give value thereof, stating basis for calculation as to value.

The Honourable the Minister of Lands and Forests replied as follows:—

1. Forest Areas Burned Over:

District	1930 (acres)	1931 (acres)	1932 (acres)	1933 (acres)
Hudson.....	153,035	4,736	454,665	22,169
Kenora.....	33,922	10,997	29,247	133,131
Rainy River.....			1,675	5,518
Port Arthur.....	448,033	27,622	40,675	18,721
Oba.....	43,881	30,320	33,504	94,088
Cochrane.....	4,711	8,141	39,540	8,173
North Bay.....	1,618	2,444	25,074	3,207
Sudbury.....	4,140	9,532	31,296	8,018
Sault Ste. Marie.....	11,311	24,323	3,726	37,924
Georgian Bay.....	1,483	4,110	1,166	16,369
Algonquin.....	5,719	11,161	15,539	1,592
Trent.....	3,956	4,901	2,914	1,048
Totals.....	711,809	138,287	679,021	349,958

2. Estimated Quantities of Timber on Areas Burned Over with Estimated Value at Crown Stumpage Dues:

	1933	
	Quantity	Value
Sawlogs (Feet Board Measure).....	3,542,120	\$ 8,816.03
Pulpwood (Cords).....	339,480	428,436.42
Fuelwood (Cords).....	30,423	10,905.59
Ties (Pieces).....	59,288	5,928.80
Cedar Poles (Pieces).....	110	55.00
Cedar Posts (Pieces).....	1,500	30.00
Total Value.....		<u>\$454,171.84</u>

NOTE.—These figures include all timber in areas inaccessible and accessible, unmarketable and marketable.

Statistics relating to quantities and values of timber on areas burned over were not collected prior to 1933.

The following Bills were severally read the second time:—

Bill (No. 9), An Act to incorporate Malton Water Company.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 10), An Act respecting National Steel Car Corporation Limited.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 16), An Act respecting the Roman Catholic Separate Schools for the City of Toronto.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 19), An Act respecting the City of Windsor.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 22), An Act respecting the Town of Timmins.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 72), An Act to Ratify and Confirm a certain agreement entered into between His Majesty the King and the Algoma Central and Hudson Bay Railway Company.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 73), An Act to amend The Income Tax Act (Ontario)

Referred to a Committee of the Whole House to-morrow.

Bill (No. 78), An Act to amend The Municipal Act.

Referred to the Committee on Municipal Law.

Bill (No. 79), An Act to amend The Power Commission Insurance Act.

Referred to a Committee of the Whole House to-morrow.

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That this House do forthwith resolve itself into a Committee to consider a certain proposed Resolution respecting certain amendments to The Corporations Tax Act.

The Prime Minister acquainted the House that His Honour the Lieutenant-Governor, having been informed of the subject matter of the proposed Resolution, recommends it to the consideration of the House.

The House then resolved itself into the Committee.

(In the Committee)

Resolved, That the provisions of subsection 2 of section 6 of The Corporations Tax Amendment Act, 1939, be amended so as to provide that,—

- (a) every incorporated company upon which taxes are imposed by sections 3 to 9 of The Corporations Tax Amendment Act, 1939, shall for the fiscal year of such incorporated company ending in 1942 pay a further tax equal to twenty-five per centum of the taxes imposed upon such incorporated company thereby;
- (b) the tax imposed upon an incorporated company by subsection 1 of section 14 of The Corporations Tax Act, 1939, shall be at the rate of five per centum calculated upon the net income of the incorporated company for the fiscal year ending in 1942, and
- (c) the tax imposed upon an incorporated company by section 15 of The Corporations Tax Act, 1939, shall be at the rate of five per centum calculated upon the net income as therein defined for the fiscal year ending in 1942.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to a certain Resolution.

Ordered, That the Report be now received.

Resolved, That the provisions of subsection 2 of section 6 of The Corporations Tax Amendment Act, 1939, be amended so as to provide that—

- (a) every incorporated company upon which taxes are imposed by sections 3 to 9 of The Corporations Tax Amendment Act, 1939, shall for the fiscal year of such incorporated company ending in 1942 pay a further tax equal to twenty-five per centum of the taxes imposed upon such incorporated company thereby;
- (b) the tax imposed upon an incorporated company by subsection 1 of section 14 of The Corporations Tax Act, 1939, shall be at the rate of five per centum calculated upon the net income of the incorporated company for the fiscal year ending in 1942, and
- (c) the tax imposed upon an incorporated company by section 15 of The Corporations Tax Act, 1939, shall be at the rate of five per centum calculated upon the net income as therein defined for the fiscal year ending in 1942.

The Resolution having been read the second time, was agreed to, and referred to the House on Bill (No. 74), An Act to amend The Corporations Tax Act, 1939.

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That this House do forthwith resolve itself into a Committee to consider a certain proposed Resolution respecting the payment of subsidies to producers of cheese and hogs in Ontario.

The Prime Minister acquainted the House that His Honour the Lieutenant-Governor, having been informed of the subject matter of the proposed Resolution, recommends it to the consideration of the House.

The House then resolved itself into the Committee.

(In the Committee)

Resolved, That during such periods as the Lieutenant-Governor in Council may prescribe, a subsidy shall be payable out of the Consolidated Revenue Fund—

- (a) to every person who produces milk in Ontario which is subsequently produced into cheese, of an amount, to be fixed by the Lieutenant-Governor in Council, not exceeding two cents for each pound of cheese produced from such milk;
- (b) to every person who produces hogs in Ontario and sells them through regular trade channels to be processed, of an amount, to be fixed by the Lieutenant-Governor in Council, not exceeding \$1 for each hog so produced, sold and processed.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to a certain Resolution.

Ordered, That the Report be now received.

Resolved, That during such periods as the Lieutenant-Governor in Council may prescribe, a subsidy shall be payable out of the Consolidated Revenue Fund—

- (a) to every person who produces milk in Ontario which is subsequently produced into cheese, of an amount, to be fixed by the Lieutenant-Governor in Council, not exceeding two cents for each pound of cheese produced from such milk;
- (b) to every person who produces hogs in Ontario and sells them through regular trade channels to be processed, of an amount, to be fixed by the Lieutenant-Governor in Council, not exceeding \$1 for each hog so produced, sold and processed.

The Resolution having been read the second time, was agreed to, and referred to the House on Bill (No. 54), "An Act respecting the subsidizing of Cheese and Hogs produced in Ontario."

The House resolved itself into a Committee, severally to consider the following Bills:—

Bill (No. 11), An Act respecting the City of Toronto.

Bill (No. 21), An Act respecting the City of Sudbury.

Bill (No. 5), An Act respecting the Town of Orillia.

Bill (No. 14), An Act respecting Certain Lodges of Ontario I.O.O.F.

Bill (No. 23), An Act respecting the County of Waterloo and the Cities of Kitchener and Galt.

Bill (No. 24), An Act respecting the Royal Botanical Gardens.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the several Bills without any amendments.

Ordered, That the Bills reported be severally read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 41), An Act to amend The Magistrates Act, and, after some time spent therein, Mr. Speaker resumed the Chair: and Mr. Patterson reported, That the Committee had directed him to recommend that the Bill be referred back to the Committee on Legal Bills for further consideration.

Resolved, That Bill (No. 41) be referred back to the Committee on Legal Bills for further consideration.

The House resolved itself into a Committee to consider Bill (No. 57), An

Act to amend The Jurors Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 50), An Act to amend The Highway Traffic Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 61), An Act to amend The Railway Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 32), An Act to amend The Devolution of Estates Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 49), An Act respecting Business Brokers, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him not to report the Bill.

The House resolved itself into a Committee to consider Bill (No. 48), An Act to confirm Tax Sales, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 71), An Act respecting Relief to Municipalities regarding Hydro-Electric Radials, and after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 70), An Act to amend The Natural Gas Conservation Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 75), An Act to amend The Bees Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 77), The School Law Amendment Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report some progress, and directed him to ask for leave to sit again.

Resolved, That the Committee have leave to sit again to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of The Ontario Research Foundation for year ending December 31st, 1940. (*Sessional Papers No. 51.*)

Also, Report of the Commissioners appointed to inquire into the affairs of Abitibi Power and Paper Company Limited, March, 1941. (*Sessional Papers No. 50.*)

The House then adjourned at 5.25 p.m.

TUESDAY, APRIL 1ST, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Nixon (Temiskaming), from the Committee on Agriculture, presented the following as their Report which was read as follows and adopted:—

Your Committee met on four occasions. At its first meeting, February 27th, Mr. Nixon (Temiskaming) was elected Chairman of the Committee. A programme of activities for the Session was drafted to include discussions of hog and cheese bonuses, egg-grading and other problems relative to agriculture.

The Minister, Mr. Dewan, said reason for the bonusing of hogs and cheese was the fixing of prices not carrying a reasonable margin and cited the importance of these two products as regards quotas to Britain. He said effective methods were being undertaken to check bootlegging of hogs and cheese from other provinces.

At its second meeting, March 5th, the Committee discussed egg-grading regulations and it was decided to invite a federal egg-grading Inspector to outline the new system and its problems.

The third meeting, March 12th, was devoted to consideration of Bill (No. 54), An Act respecting the Subsidizing of Cheese and Hogs produced in Ontario. Mr. Dewan informed the Committee that it seemed necessary to leave the payment of bonuses to regulation and said that domestic packers have made representation to continue purchase of hogs and pay bonuses on live grade as well as rail grade basis.

William Watson, of the Live Stock Branch, outlined the status of hog production in Canada and told of the heavy competition to Eastern Canada hogs that is coming from the Western Provinces.

Mr. O'Neill, Director of the Live Stock Branch, said that if the Province is to protect the small packer it should require him to co-operate by buying on rail grade.

At its fourth meeting, March 26th, the Committee heard A. C. Curran, Federal Egg-Grading Inspector, discuss egg-grading regulations. Mr. Curran described the various grades and cited benefits to be derived from the new system. He reported 432 applications for registered grading stations received and certificates issued to 200.

The following Bills were severally introduced and read the first time:—

Bill (No. 82), intituled, "An Act to amend The Securities Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 83), intituled, "An Act to amend The Cemetery Act." *Mr. Kirby.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Duckworth asked the following Question (No. 23):—

1. What was the total number of persons employed in the Civil Service of Ontario, excluding outside boards and commissions and the Liquor Control Board: (a) on the Permanent Staff; (b) on the Temporary Staff; on the following dates, viz.:—July 11th, 1934; October 31st, 1935; March 31st, 1935; March 31st, 1936; March 31st, 1937; March 31st, 1938; March 31st, 1939; March 31st, 1940; December 31st, 1940. 2. How many persons were contributors to the Ontario Public Service Superannuation Fund on each of the dates mentioned in (1), and indicating in each instance the number of contributors who were employees of the Liquor Control Board. 3. On each of the dates mentioned in (1), how many retired Civil Servants were in receipt of Superannuation allowances. 4. On each of the dates mentioned in (1) how many (a) widows and (b) other dependents of deceased Civil Servants were in receipt of Superannuation allowances.

The Honourable the Prime Minister replied as follows:—

	1.		2.	3.	4.	
	(a) Per- manent	(b) Tem- porary	Contri- butors	Liquor Control Board	Retired Civil Servants	(a) Widows (b) Other Depend- ents
July 11, 1934.....	5,525	1,705	6,092	854	474	268 3
October 31, 1935..	6,079	485	6,066	431	574	310 3
March 31, 1935...	5,984	791	6,122	482	542	289 3
March 31, 1936...	5,983	671	6,362	684	582	302 3
March 31, 1937...	6,047	916	6,665	701	571	332 7
March 31, 1938...	6,810	792	7,206	717	599	343 6
March 31, 1939...	6,838	901	7,434	735	582	377 6
March 31, 1940...	6,504	1,260	7,390	728	569	407 6
December 31, 1940	6,069	1,673	7,013	694	589	420 6

Mr. Acres asked the following Question (No. 105):—

1. What amount has been paid by the Government to each member of the Cabinet by way of travelling expenses: (a) In the month of March, 1936; (b) In each fiscal year from 1937 to 1940, inclusive; (c) In the period April 1st, 1940, to December 31st, 1940.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

1. (a)	Month of March, 1936
Hon. Peter Heenan.....	\$154.63
Hon. Paul Leduc.....	20.00

(b)	Fiscal Year Ended March 31st			
	1937	1938	1939	1940
Hon. Duncan Marshall.....	\$1,000.00	\$500.00		
Hon. P. M. Dewan.....		250.00	\$950.00	\$725.00
Hon. A. W. Roebuck.....	2,175.00			
Hon. G. D. Conant.....		300.00	625.00	475.00
Hon. L. J. Simpson.....	600.00	225.00	700.00	700.00
Hon. H. J. Kirby.....			326.52	460.85
Hon. D. A. Croll.....	650.00			
Hon. N. O. Hipel.....				600.00
Hon. Paul Leduc.....	235.00	165.00	450.00	569.00
Hon. E. W. Cross.....		400.00	400.00	500.00
Hon. C. A. Campbell.....		500.00	6.20	

(c)	April 1st to December 31st, 1940	
Hon. P. M. Dewan.....	\$450.00	
Hon. G. D. Conant.....	400.00	
Hon. L. J. Simpson.....	100.00	
Hon. H. J. Kirby.....	488.72	
Hon. N. O. Hipel.....	200.00	
Hon. Paul Leduc.....	136.00	
Hon. R. L. Laurier.....	50.00	
Hon. E. W. Cross.....	500.00	

Mr. Habel asked the following Question (No. 144):—

1. What amounts of money were paid to each Minister of the Government for travelling expenses from January 1st, 1930, to July 12th, 1934. 2. What Ministers of the Government had automobiles and chauffeurs provided for their use during this period and what was the total cost for operating each car, including wages, uniforms and expenses of chauffeur. 3. (a) What Ministers of the Government have had automobiles and chauffeurs provided for their use since July 12th, 1934; (b) What was the cost of same.

The Honourable the Prime Minister replied as follows:—

1.	1930	1931	1932	1933	1934 (to July 12/34)
Hon. G. Howard Ferguson.....	\$2,000				
Hon. William Finlayson.....	850	\$ 900	\$ 300	\$ 700	\$ 500
Hon. Chas. McCrea.....	1,000	1,250	975	1,000	500
Hon. Dr. Forbes Godfrey.....	1,000				
Hon. Dr. J. M. Robb.....	125	1,000	500	500	650
Hon. W. G. Martin.....	250	1,000	925	850	600
Hon. Dr. J. D. Monteith.....	1,000	1,000	1,000	1,000	600
Hon. Lincoln Goldie.....	1,000				
Hon. Leopold Macaulay.....	150	1,000	700	850	500
Hon. J. S. Martin.....	500				
Hon. T. L. Kennedy.....	250	1,000	1,000	1,800	650

1.—Continued	1930	1931	1932	1933	1934 (to July 12/34)
Hon. E. A. Dunlop.....		\$1,000	\$1,000	\$1,000	\$500
Hon. G. H. Challies.....		125	650	600	400
Hon. W. H. Price.....		500	500	500	500
	<u>\$8,125</u>	<u>\$8,775</u>	<u>\$7,550</u>	<u>\$8,800</u>	<u>\$5,400</u>

2.	1930	Cost of Operating
Premier.....	Hon. H. G. Ferguson.....	\$2,759.30
Treasurer.....	Hon. J. D. Monteith	
	Hon. E. A. Dunlop.....	2,988.33
Health.....	Hon. Dr. Forbes Godfrey	
	Hon. Dr. J. M. Robb.....	3,077.95
Provincial Secretary.....	Hon. Lincoln Goldie	
	Hon. Leopold Macaulay.....	3,193.57
Highways.....	Hon. G. S. Henry.....	2,744.95
Agriculture.....	Hon. J. S. Martin	
	Hon. T. L. Kennedy.....	3,294.87
Mines.....	Hon. Charles McCrea.....	3,143.03
Attorney-General.....	Hon. W. H. Price.....	2,901.54
Lands and Forests.....	Hon. Wm. Finlayson.....	3,968.78
Public Works.....	Hon. G. S. Henry	
	Hon. J. D. Monteith.....	290.30
		<u>\$28,362.62</u>

1931

Premier.....	Hon. G. H. Ferguson	
	Hon. G. S. Henry.....	\$2,465.54
Treasurer.....	Hon. E. A. Dunlop.....	1,982.15
Health.....	Hon. Dr. J. M. Robb.....	2,370.06
Provincial Secretary.....	Hon. Leopold Macaulay	
	Hon. G. H. Challies.....	3,536.23
Highways.....	Hon. G. S. Henry	
	Hon. Leopold Macaulay.....	1,575.69
Agriculture.....	Hon. T. L. Kennedy.....	2,728.89
Mines.....	Hon. Charles McCrea.....	2,526.65
Attorney-General.....	Hon. W. H. Price.....	3,101.57
Lands and Forests.....	Hon. Wm. Finlayson.....	3,634.27
Public Works.....	Hon. J. D. Monteith.....	2,913.19
Welfare.....	Hon. W. G. Martin.....	3,989.67
		<u>\$30,823.91</u>

1932

Premier.....	Hon. G. S. Henry.....	\$3,145.76
Treasurer.....	Hon. E. A. Dunlop.....	2,844.84
Health.....	Hon. Dr. J. M. Robb.....	2,944.58
Provincial Secretary.....	Hon. G. H. Challies.....	3,308.06
Highways.....	Hon. Leopold Macaulay.....	3,715.31

1932—Continued		Cost of Operating
Agriculture.....	Hon. T. L. Kennedy.....	\$3,211.03
Mines.....	Hon. Charles McCrea.....	3,085.28
Attorney-General.....	Hon. W. H. Price.....	3,476.39
Lands and Forests.....	Hon. Wm. Finlayson.....	4,329.70
Public Works.....	Hon. Dr. J. D. Monteith.....	3,226.75
Welfare.....	Hon. W. G. Martin.....	3,490.29
		—————\$36,778.09

1933

Premier.....	Hon. G. S. Henry.....	\$2,537.81
Treasurer.....	Hon. E. A. Dunlop.....	2,398.54
Health.....	Hon. Dr. J. M. Robb.....	2,697.12
Provincial Secretary.....	Hon. G. H. Challies.....	3,302.09
Highways.....	Hon. Leopold Macaulay.....	3,254.63
Agriculture.....	Hon. T. L. Kennedy.....	3,405.64
Mines.....	Hon. Charles McCrea.....	3,410.09
Attorney-General.....	Hon. W. H. Price.....	3,229.15
Lands and Forests.....	Hon. Wm. Finlayson.....	3,337.11
Public Works.....	Hon. Dr. J. D. Monteith.....	3,194.84
Welfare.....	Hon. W. G. Martin.....	3,714.21
		—————\$34,481.23

To July 11th, 1934

Premier.....	Hon. G. S. Henry.....	\$2,158.22
Treasurer.....	Hon. G. S. Henry.....	Nil
Health.....	Hon. Dr. J. M. Robb.....	1,886.17
Provincial Secretary.....	Hon. G. H. Challies.....	1,442.52
Highways.....	Hon. Leopold Macaulay.....	1,946.65
Agriculture.....	Hon. T. L. Kennedy.....	2,174.16
Mines.....	Hon. Charles McCrea.....	2,077.43
Attorney-General.....	Hon. W. H. Price.....	2,078.46
Lands and Forests.....	Hon. Wm. Finlayson.....	2,408.61
Public Works.....	Hon. Leopold Macaulay.....	Nil
Welfare.....	Hon. W. G. Martin.....	2,291.48
		—————\$18,463.70

3. (a) None; (b) Nil.

Mr. Freeborn asked the following Question (No. 145):—

1. Who have been members of the Liquor Control Board since its inception.
2. What were the salaries of the different members.

The Honourable the Prime Minister replied as follows:—

1. and 2.	D. B. Hanna.....	\$20,000.00	per annum
	Hon. Dr. R. J. Manion.....	10,000.00	“ “
	S. McClenaghan.....	10,000.00	“ “
	Hon. Sir Henry L. Drayton.....	20,000.00	“ “
	His Honour J. M. McNamara.....	10,000.00	“ “
	E. G. Odette.....	10,000.00	“ “
	A. N. Smith.....	7,000.00	“ “
	Hon. A. St. Clair Gordon.....	8,000.00	“ “

The following Bills were read the third time and were passed:—

Bill (No. 14), An Act respecting Certain Lodges of Ontario I.O.O.F.

Bill (No. 23), An Act respecting the County of Waterloo and the Cities of Kitchener and Galt.

Bill (No. 24), An Act respecting the Royal Botanical Gardens.

Bill (No. 57), An Act to amend The Jurors Act.

Bill (No. 50), An Act to amend The Highway Traffic Act.

Bill (No. 61), An Act to amend The Railway Act.

Bill (No. 11), An Act respecting the City of Toronto.

Bill (No. 21), An Act respecting the City of Sudbury.

Bill (No. 5), An Act respecting the Town of Orillia.

Bill (No. 32), An Act to amend The Devolution of Estates Act.

Bill (No. 48), An Act to confirm Tax Sales.

Bill (No. 71), An Act respecting Relief to Municipalities regarding Hydro-Electric Radials.

Bill (No. 70), An Act to amend The Natural Gas Conservation Act.

Bill (No. 75), An Act to amend The Bees Act.

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Challies,

Ordered, That the Debate be adjourned.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Liquor Control Board of Ontario for year ending March 31st, 1940. (*Sessional Papers No. 20.*)

The House then adjourned at 5.35 p.m.

WEDNESDAY, APRIL 2ND, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Campbell (Kent East) presented the report of the Standing Committee on Printing which was read as follows and adopted:—

The Standing Committee on Printing presents the following as its Report:—

Your Committee recommends that the Supplies Allowance per member for the current Session be fixed at \$25.00.

Your Committee recommends the purchase of copies of the Canadian Parliamentary Guide, the Canadian Almanac and the Canada Year Book for distribution to the Members of the Assembly.

Your Committee recommends that Sessional Papers for the current year be printed in the following quantities:—

Public Accounts.....	2,050
Estimates.....	2,000
Lands and Forests.....	1,550
Mines.....	3,100
Legal Offices.....	375
Superintendent of Insurance: Abstract.....	1,050
Detailed.....	1,150
Registrar of Loan Corporations: Abstract.....	500
Detailed.....	750
Public Works.....	375
Highways.....	700
Game and Fisheries.....	850
Labour.....	950
Education.....	1,550
University of Toronto.....	400
Births, Marriages and Deaths.....	350
Department of Health.....	1,600
Ontario Hospital for Mentally Subnormal and Epileptics.....	700
General Hospitals, Hospitals for Incurables, Sanatoria and Red Cross Hospitals.....	850
Prisons and Reformatories.....	1,058
Industrial Training Schools.....	858
Public Welfare.....	850
British War Guests.....	600
Liquor Control Board.....	1,350
Department of Agriculture (Minister).....	1,850
Department of Agriculture (Statistics).....	3,850
Temiskaming and Northern Ontario Railway.....	500
Ontario Municipal Board.....	650
Hydro-Electric Power Commission.....	3,750
Provincial Auditor.....	400

Workmen's Compensation Board.....	3,350
Ontario Veterinary College.....	1,350
Northern Development Act.....	550
Provincial Police.....	500
Ontario Research Foundation.....	1,350
Niagara Parks Commission.....	650
Fire Marshal.....	1,250

Mr. Strachan, from the Standing Committee on Legal Bills, presented the following as their Second and Final Report which was read as follows and adopted:—

Your Standing Committee on Legal Bills to whom was referred Bill (No. 41), An Act to amend The Magistrates Act, begs leave to report the Bill with certain amendments.

The following Bills were severally introduced and read the first time:—

Bill (No. 84), intituled, "An Act to amend The Public Service Act." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 85), intituled, "An Act to amend The Highway Traffic Act." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 86), intituled, "An Act to amend The Beach Protection Act." *Mr. Laurier.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 87), intituled, "An Act to amend The Ontario Municipal Board Act." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 88), intituled, "An Act to amend The Surveys Act." *Mr. Heenan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 89), intituled, "An Act to amend The Local Improvement Act." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Kennedy asked the following Question (No. 133):—

1. What was the cost of erecting the monument at or near the Humber Bay entrance to the Queen Elizabeth Way. 2. What contracts were let by the Government respecting this monument, specifying: (a) Name of each contractor doing work or furnishing material; (b) Amount of each contract. 3. Who designed the monument and what was the total amount paid or to be paid him for design and supervision. 4. What amounts remain to be paid respecting this monument and to whom.

The Honourable the Minister of Highways replied as follows:—

1. \$23,828.79. 2. (a) Scott-Jackson Construction Ltd.; (b) Construction of monument \$16,650.00, Construction of base \$4,834.85, Total \$21,484.85; Stone for concrete, cement, piling and reinforcing steel supplied by Department, \$2,343.94. 3. W. L. Somerville, \$844.85. 4. Nil.

Mr. Macaulay asked the following Question (No. 136):—

1. What contracts for the grading, construction or improvement of highways or bridges have been let by the Department of Highways without advertisement for tenders since April 27th, 1939, to date, giving: (a) Date of contract; (b) Name of contractor; (c) Amount paid; (d) Location of work; (e) Mileage or length of construction. 2. What extensions of contracts have been let by the Department of Highways without advertisement for tenders since April 27th, 1939, to date, giving: (a) Date of extension; (b) Date of original contract referred to by extension; (c) Name of contractor; (d) Amount paid; (e) If no separate quantities kept under (d) give amount paid under contract and extension combined; (f) Location of work; (g) Mileage or length of construction.

The Honourable the Minister of Highways replied as follows:—

	(a) Date of Contract	(b) Contractor's Name	(c) Amount Paid	(d) Location of Work	(e) Mileage or Length of Contract
39-130	Aug. 10, 1939	A. Cope & Sons, Ltd.	\$15,310.99	Church Street to Browns Line on Queen Street	2.3 miles
39-144	Oct. 4, 1939	Brennan Paving Co. Limited	57,979.20	Barrie west, Highway No. 90	7 miles
39-145	Oct. 4, 1939	Brennan Paving Co. Limited	30,274.22	West from Contract No. 39-144 to Camp Borden	4.5 miles
40-148	Nov. 16, 1939	Brennan Paving Co. Limited	26,707.74	Highway No. 90; Pine River Diversion and 2,000 ft. north	Bridge and grading two diversions
39-149	Mar. 6, 1940	Standard Paving, Limited	6,444.83	Marten Lake, Highway No. 11	130 ft. bridge
40-118	Dec. 24, 1940	Wainwright Construction Co.	1,407.81	Exeter	Bridge

Invitation tenders were asked for on all these contracts.

Mr. Hepburn (Prince Edward-Lennox) asked the following Question (No. 142):—

1. How many Old Age Pensions were granted in each of the Counties of Prince Edward, Hastings, Northumberland and Lennox and Addington in each of the years 1937, 1938, 1939, 1940, and the amounts thereof. 2. How many Mothers' Allowances were granted in each of the foregoing counties in each of the aforesaid years and the amount thereof.

The Honourable the Minister of Welfare replied as follows:—

1. Old Age Pensions—

	1937		1938		1939		1940	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Prince Edward.....	51	\$2,058.90	48	\$1,631.51	59	\$2,235.62	58	\$2,173.96
Hastings.....	160	5,134.40	142	4,567.59	161	5,981.53	133	4,853.59
*Northumberland-Durham..	201	7,436.21	186	6,404.16	182	6,919.65	145	5,360.46
Lennox and Addington....	79	2,555.17	68	2,571.59	55	2,105.00	55	1,886.55

2. Mothers' Allowances—

	1937		1938		1939		1940	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Prince Edward.....	13	\$ 430.00	9	\$ 260.00	11	\$ 370.00	5	\$ 180.00
Hastings.....	32	965.00	39	1,145.00	31	930.00	29	890.00
Northumberland.....	22	805.00	19	585.00	20	705.00	11	390.00
Lennox and Addington....	8	230.00	10	305.00	10	350.00	10	265.00

*Records for Old Age Pension purposes, pertaining to United Counties, are kept together.

Mr. Challies asked the following Question (No. 146):—

1. What amounts, with dates, have been paid by the Government to the Hydro-Electric Power Commission since February 1st, 1940, under The Rural Hydro-Electric Power District Service Act of 1930.

The Honourable the Prime Minister replied as follows:—

1. Nil.

In respect to Question (No. 138) regarding the awarding of contracts to certain construction companies in the fiscal years 1938, 1939 and 1940, the Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Doucett, seconded by Mr. Dunbar,

Ordered, That there be laid before this House a Return showing:—1. What contracts were awarded in each of the fiscal years 1938, 1939, 1940 to the following companies, namely: Dufferin Paving and Crushed Stone, Limited; Dufferin Construction Company, Limited; National Paving Company, Limited; Construction and Paving Company of Ontario, Limited; Quebec Paving Company, Limited; A. Cope & Sons, Limited; instancing in each case: (a) Details as to service or work performed and materials supplied, with unit prices in each case and specifying total amount paid to each company with respect to each contract;

(b) Any extensions of contracts, giving full particulars in the case of each such extension. 2. What was the total amount paid to each of the aforementioned companies in each of the fiscal years 1938, 1939, 1940 and 1941. 3. Were the contracts and extensions of contracts awarded on a tender basis and was the lowest tender in each case accepted, if not, specify. 4. Were any contracts let on a cost plus basis and if so, give particulars.

The motion of Mr. Drew, seconded by Mr. Kennedy, That the proposed St. Lawrence development and other public undertakings throughout the Province create an urgent demand for effective planning and supervision of remodelling, re-establishment, reclamation and reconstruction, which in the opinion of this Legislature calls for the immediate creation of an Ontario Town and Country Planning Commission with authority to recommend and supervise plans for reconstruction, reclamation, and development in the rural and urban areas throughout the Province of Ontario wherever deemed necessary and advisable, having been called,

And a Debate having arisen, after some time, the Motion having been put, was lost on the following Division:—

YEAS

Acres	Elgie	Murphy
Arnott	Frost	Reynolds
Challies	Henry	Spence
Doucett	Hepburn	Stewart
Downer	(Prince Edward-Lennox)	Summerville—18
Drew	Kennedy	
Duckworth	Macaulay	

NAYS

Anderson	Fairbank	Macfie
Baker	Fletcher	MacGillivray
Ballantyne	Freeborn	MacKay
Bégin	Glass	Mercer
Bethune	Gordon	Miller
Blakelock	Guthrie	Murray
Campbell (Kent, East)	Habel	McQuesten
Carr	Hagey	Newlands
Cholette	Haines	Nixon
Conacher	Heenan	(Brant)
Cooper	Hepburn	Nixon
Croome	(Elgin)	(Temiskaming)
Cross	Hipel	Oliver
Dewan	Houck	Patterson
Dunbar	Hunter	Sinclair
Duncan	Kelly	Smith
Elliott	King	Trottier—49
	Laurier	

PAIRS

Welsh — Campbell

The Order of the Day for resuming the Adjourned Debate on the Motion that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed,

And after some time it was, on the motion of Mr. Henry,

Ordered, That the Debate be adjourned until to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Return to an Order of the House dated April 2nd, 1941, That there be laid before the House a Return showing:—1. What contracts were awarded in each of the fiscal years 1938, 1939, 1940 to the following companies, namely: Dufferin Paving and Crushed Stone, Limited; Dufferin Construction Company, Limited; National Paving Company, Limited; Construction and Paving Company of Ontario, Limited; Quebec Paving Company, Limited; A. Cope & Sons, Limited; instancing in each case: (a) Details as to service or work performed and materials supplied, with unit prices in each case and specifying total amount paid to each company with respect to each contract; (b) Any extensions of contracts, giving full particulars in the case of each such extension. 2. What was the total amount paid to each of the aforementioned companies in each of the fiscal years 1938, 1939, 1940 and 1941. 3. Were the contracts and extensions of contracts awarded on a tender basis and was the lowest tender in each case accepted, if not, specify. 4. Were any contracts let on a cost plus basis and if so, give particulars. (*Sessional Papers No. 52.*)

The House then adjourned at 11.25 p.m.

THURSDAY, APRIL 3RD, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Carr, from the Standing Committee on Municipal Law, presented their Second and Final Report which was read as follows and adopted:—

Your Committee has carefully considered the provisions of Bills Nos. 51, 52 and 78 to amend The Municipal Act, and such of their provisions as have been approved of have been embodied in a Bill entitled "The Municipal Amendment Act, 1941."

The following Bills were severally introduced and read the first time:—

Bill (No. 90), intituled, "The Statute Law Amendment Act, 1941." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 91), intituled, "An Act to amend The Department of Municipal Affairs Act." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 92), intituled "The Municipal Amendment Act, 1941." *Mr. McQuesten.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Spence asked the following Question (No. 14):—

1. What is the cost from November 1st, 1934, to December 31st, 1940, of construction and maintenance of Highway No. 11 from North Bay to Cochrane. 2. What is the cost from November 1st, 1934, to December 31st, 1940, of construction and maintenance on the highway from Porquis Junction to Timmins. 3. What amounts have been spent for construction, maintenance and all other charges with respect to the highways mentioned in (1) and (2) during the period of three years ending December 31st, 1940. 4. How many miles of the highways mentioned in (1) and (2) have been paved, and what was the average paving cost per mile. 5. In the fiscal years 1939, 1940 and 1941 what contracts have been let with respect to the highways mentioned in (1) and (2), giving in each case name of contractor, description of work awarded, unit prices and total amount paid each contractor with respect to each contract. 6. Were any extensions granted or extras allowed with respect to the contracts mentioned in (5) and if so, give particulars. 7. Were any contracts let on a cost plus basis and if so, give particulars.

The Honourable the Minister of Highways replied as follows:—

1. Construction, \$14,407,037.79; Maintenance, \$1,095,879.50. 2. Construction, \$1,464,147.97; Maintenance, \$168,605.97. 3. (1) Construction, \$10,873,962.23; Maintenance, \$660,163.40; (2) Construction, \$821,476.66; Maintenance, \$112,478.37.

4.		Miles Paved	Average Cost per Mile
(1) 1934-36	3" Retread Surface	17	\$17,761.90
1936-37	Mixed Macadam	54.4	13,665.51
1938-39	Mulch	4	5,400.00
1939	Mixed Macadam	10	13,793.43
(2) 1924-26	6 miles of Bituminous Penetration . . . . .	....	27,238.91
1929-32	Above 6 miles seal coated and repaired . . . . .	....	5,466.54
1938-39	Concrete on above 6 miles and 5.2 added . . . . .	....	27,229.85

	Rock Excavation, Structures.....	\$ 2.25 c. y.
	Crushed Gravel, ¾".....	1.00 ton
	Dynamite Swamp Shoot.....	10.50 case
	Top Dressing.....	.45 c. y.
	Clearing Right-of-Way.....	40.00 per acre
	Board Allowance.....	.15 per man day
	Earth Top Dressing.....	1.00 c. y.
Contract 39-41	King Paving Co., Ltd., Crushed Gravel at 79½c. ton— Amount paid Contractor.....	\$7,950.00
Contract 39-45	Curran & Briggs, Ltd., Crushed Gravel at 89c. ton— Amount paid Contractor.....	\$13,347.90
Contract 39-46	Curran & Briggs, Ltd., Crushed Gravel at 85c. ton— Amount paid Contractor.....	\$8,500.00
Contract 59-47	Curran & Briggs, Ltd., Crushed Gravel at \$1.08 ton— Amount paid Contractor.....	\$34,426.72
Contract 39-92	Warren Bituminous Paving Co., Macadam Pavement— Amount paid Contractor.....	\$91,436.21

Unit Prices

	Earth Excavation.....	\$.35 c. y.
	Rock Excavation.....	4.00 c. y.
	Hot Mix Gravel.....	1.75 ton
	Applying Primer.....	.015 gal.
	1" Asphaltic Concrete Top.....	1.98 ton
	¾" Foundation Course.....	.70 ton
	Scarifying and Reshaping.....	.025 s. y.
	Agricultural 6" Tile.....	.25 l. f.
	Porous Backfill.....	.65 ton
	8" C.I.P.....	.20 l. f.
	Sodding, staked.....	.20 s. y.
	Wire Mesh Laid.....	.05 s. y.
	Curb and Gutter.....	.29 l. f.
Contract 39-149	Standard Paving, Ltd., Bridge Substructure— Amount paid Contractor.....	\$6,444.83

Unit Prices

	Structure Foundation.....	\$ 2.00 c. y.
	Concrete in Substructure.....	14.00 c. y.
	Concrete in Superstructure.....	18.00 c. y.
	Placing Reinforcing Steel.....	40.00 ton
	Rip Rap (W.O. No. 444).....	3.00 c. y.

Contract 39-149A		Runnymede Iron & Steel Co., Steel Superstructure for Bridge, lump sum.....	\$11,420.00
Contract 40-323		Municipal Spraying & Oiling Co., Ltd., Surface Treatment— Amount paid Contractor.....	\$5,061.48
		Unit Prices	
		Applying Bituminous Material.....	\$.02 gal.
		Application Chips.....	1.25 ton
Contract 40-359		Curran & Briggs, Ltd., Gravel at \$1.37 ton— Amount paid Contractor.....	\$13,700.00
Contract 40-361		J. Maguire Contracting Co., Ltd., Gravel at \$1.40 ton— Amount paid Contractor.....	\$14,000.00
Contract Project 3276		Hadley & McHaffie Const. Co., Ltd., Gravel (crushed) at 92c. ton— Amount paid Contractor.....	\$13,799.22
5. (2)	Contract 39-47	Curran & Briggs, Ltd., Crushed Gravel at \$1.08 ton— Amount paid Contractor.....	\$8,640.62
Contract 39-48		Northern Paving & Materials, Ltd., Crushed Gravel at \$1.30 ton— Amount paid Contractor.....	\$26,014.30
Contract 39-112		R. A. Blyth, Grading approaches, Schumacher Overhead— Amount paid Contractor.....	\$25,473.70
		Unit Prices	
		Waste Mine Rock Fill.....	\$.55 c. y.
		$\frac{3}{4}$ " Crushed Gravel.....	1.35 ton
		Earth Cover.....	.60 c. y.
6.	Contract 39-47	Curran & Briggs, Ltd., Extended from 9,000 tons of Crushed Gravel to 40,000 tons placed where directed.	
7.	No.		

Mr. Acres asked the following Question (No. 118):—

1. What amount remains to be paid by the Province and to whom on account of the construction of the Ontario Government Building at the Canadian National Exhibition, Toronto, giving particulars as to each payment still to be made.
2. Since the present Government took office, what departments of the Government have exhibited in this building in each year of the Canadian National

Exhibition. 3. Has any revenue accrued to the Government by reason of space in this building being used by other exhibitors and if so, give particulars. 4. What was the total amount to be paid by the Province to the City of Toronto or to the Canadian National Exhibition in connection with the construction of the Ontario Government Building at the Canadian National Exhibition.

The Honourable the Minister of Public Works replied as follows:—

1. All payments completed in accordance with agreement with the City of Toronto. 2. 1934—Department of Health; 1935—None; 1936—Game and Fisheries Department; 1937—Game and Fisheries Department; 1938—Game and Fisheries Department; 1939—Game and Fisheries Department; 1940—Game and Fisheries Department. 3. None. An Agreement between the Province and the City of Toronto provides that the Province of Ontario Building shall be the property of the City and shall be maintained by the City so long as the Canadian National Exhibition Association continues to hold its exhibitions, the Province having the right to use the building at any and all times for the purpose of exhibiting the resources of the Province. 4. \$600,000.00.

Mr. Stewart asked the following Question (No. 151):—

1. What qualifications are required by the Department of Education for Inspector of Secondary Schools. 2. Has Mr. Andre Lemieux such qualifications. 3. Who has been appointed to assume the duties formerly discharged by Mr. Woodley. Has more than one person been appointed to assume his duties.

The Honourable the Minister of Education replied as follows:—

1. There are no regulations setting forth the qualifications required for "Inspectors of Secondary Schools." Subsection (3) of section 3 of The Department of Education Act states that "the Minister may appoint such inspectors, teachers and officers for purposes of instruction, supervision and administration as he may deem expedient." 2. Mr. Henri Lemieux holds a B.A. degree from Laval University and a High School Assistant's certificate from the Ontario College of Education. He taught in the Plantagenet High School from September, 1923, until June, 1925, and in the Cornwall Collegiate Institute from September, 1925, until October, 1927. He was then appointed Associate Principal of the Sturgeon Falls Model School. When this Model School was discontinued in 1935, he was appointed to the staff of the University of Ottawa Normal School, which position he held until he was appointed a High School Inspector in January, 1941. 3. Mr. H. H. Walker, of the Department of Municipal Affairs, was appointed Chief Accountant of the Department of Education, but shortly after war broke out he was granted leave of absence to do work for the British Purchasing Commission in New York. Mr. Colin Campbell was then transferred to this post from the Ontario Securities Commission. The duties of the Secretary of The Teachers and Inspectors' Superannuation Commission, formerly discharged by Mr. Woodley, are being performed by Mr. C. A. Brown, a member of the staff of the Department of Education.

The Order of the Day for resuming the Adjourned Debate on the Motion

that Mr. Speaker do now leave the Chair, and that the House resolve itself into the Committee of Supply, having been read,

The Debate was resumed, and after some time,

Mr. Drew moved in Amendment, seconded by Mr. Macaulay, That Debate on the Motion "That this House resolve itself into the Committee of Supply" be adjourned and that the estimates for the current year as submitted to the House be referred back to the Executive Council with instructions to decrease the total amount of supply asked from the House by the sum of at least \$25,000,000.

The Prime Minister, in the course of his address, tabled certain papers in connection with Hydro-Electric Power reserves (*Sessional Papers No. 54*) and Provincial Loans (*Sessional Papers No. 55*.)

The Debate continued and, after some time,

The Amendment, having been put, was declared lost on the following Division:—

YEAS

Acres	Duckworth	Macaulay
Arnott	Dunbar	Murphy
Black	Elgie	Reynolds
Challies	Frost	Spence
Doucett	Hepburn	Stewart
Downer	(Prince Edward-Lennox)	Summerville—19
Drew	Kennedy	

NAYS

Anderson	Fairbank	Laurier
Ballantyne	Fletcher	Macfie
Bégin	Freeborn	MacKay
Bethune	Gardhouse	Mercer
Blakelock	Glass	Miller
Bradley	Gordon	Murray
Brownridge	Guthrie	McEwing
Campbell	Habel	McQuesten
(Kent, East)	Hagey	Newlands
Carr	Haines	Nixon
Cholette	Heenan	(Brant)
Conant	Hepburn	Nixon
Cooper	(Elgin)	(Temiskaming)
Croome	Hipel	Oliver
Cross	Hunter	Patterson
Dewan	Kelly	Smith
Dickson	King	Strachan
Duncan	Kirby	Trottier—51
Elliott		

PAIRS

Welsh — Houck
Henry — Baker

The Main Motion having then been put was carried on the following Division:—

YEAS

Anderson	Fairbank	Macfie
Ballantyne	Fletcher	MacKay
Bégin	Freeborn	Mercer
Bethune	Gardhouse	Miller
Blakelock	Glass	Murray
Bradley	Gordon	McEwing
Brownridge	Guthrie	McQuesten
Campbell	Habel	Newlands
(Kent, East)	Hagey	
Carr	Haines	Nixon
Cholette	Heenan	(Brant)
Conant	Hepburn	Nixon
Cooper	(Elgin)	(Temiskaming)
Croome	Hipel	Oliver
Cross	Hunter	Patterson
Dewan	Kelly	Smith
Dickson	King	Strachan
Duncan	Kirby	Trottier—51
Elliott	Laurier	

NAYS

Acres	Duckworth	Macaulay
Arnott	Dunbar	Murphy
Black	Elgie	Reynolds
Challies	Frost	Spence
Doucett	Hepburn	Stewart
Downer	(Prince Edward-Lennox)	Summerville—19
Drew	Kennedy	

PAIRS

Houck — Welsh
Baker — Henry

And the House, according to Order, resolved itself into the Committee of Supply.

(In the Committee)

Resolved, That there be granted to His Majesty, for the services of the fiscal year ending March 31st, 1942, the following sum:—

128. To defray the expenses of the Office of Lieutenant-Governor . . . \$10,000.00

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to a Resolution; also, That the Committee had directed him to ask for leave to sit again.

Ordered, That the Report be received to-morrow.

Resolved, That the Committee have leave to sit again to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Order-in-Council and Regulations for the Prevention and Mitigation of Psittacosis, Department of Health. (*Sessional Papers No. 53.*)

Also, Annual Report of The Hydro-Electric Power Commission of Ontario for year ending October 31st, 1940. (*Sessional Papers No. 26.*)

Also, Annual Report of the Temiskaming and Northern Ontario Railway Commission for year ending March 31st, 1940. (*Sessional Papers No. 23.*)

Also, Report of the Inspector of Legal Offices for year ending December 31st, 1940. (*Sessional Papers No. 5.*)

The House then adjourned at 10.20 p.m.

FRIDAY, APRIL 4TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bill was introduced and read the first time:—

Bill (No. 93), intituled, "The Assessment Amendment Act, 1941." *Mr. McQueen.*

Ordered, That the Bill be read a second time on Monday next.

Mr. Acres asked the following Question (No. 82):—

1. In each of the fiscal years ending October 31st, 1934, March 31st, 1935, 1936, 1937, 1938, 1939 and 1940 and for the period April 1st, 1940, to December 31st, 1940, how many permits for the purchase of liquor were issued in the following categories and what revenue accrued in each case, viz.: (a) Individual Annual Liquor Permits; (b) Individual Beer and Wine Permits; (c) Single Permits (25 cents); (d) Individual Non-Resident Permits (1 month); (e) Special Permits to druggists; (f) Permits of any other type. 2. On what date was the Single Purchase Permit placed in use. 3. When was the issue of Beer and Wine Permits discontinued.

The Honourable the Prime Minister replied as follows:—

1.	Fiscal Year Ending October 31st, 1934		Fiscal Year (5 mos.) Ending March 31st, 1935		Fiscal Year Ending March 31st, 1936		Fiscal Year Ending March 31st, 1937	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
Resident (Individual Annual)	178,517	\$357,034.00	60,867	\$121,734.00	4,489	\$ 8,978.00	50,839	\$101,678.00
*Resident Extensions	.....	.....	.....	.....	70,215	52,661.25	.....	.....
Resident Beer and Wine	.....	.....	.....	.....	.....	.....	.....	.....
Less Conversions	.....	.....	.....	.....	.....	.....	.....	.....
	14,089							
Single Purchase	87,919	87,919.00	.....	.....	.....	.....	.....	.....
Temporary (Individual Non-resident)	77,602	19,400.50	664,394	166,098.50	1,847,444	461,861.00	2,729,566	682,391.50
Druggists	12,374	22,157.00	39	78.00	140	280.00	44	88.00
*Druggists Extensions	1,518	3,036.00	1,455	2,910.00	72	144.00	1,571	3,142.00
Other Permits	.....	.....	.....	.....	1,425	1,068.75	.....	.....
	9,265	4,994.50	1,132	1,017.50	1,945	1,135.25	2,352	1,633.00

*Due to the change in the Provincial fiscal year all Individual and Special Liquor Permits which expired on October 31st, 1935, were extended to March 31st, 1936, upon the payment of 75 cents.

Permits issued on and after November 1st, 1935, and valid only until March 31st, 1936, were also issued for the five months' period for the same fee.

	Fiscal Year Ending March 31st, 1938		Fiscal Year Ending March 31st, 1939		Fiscal Year Ending March 31st, 1940		For the Period April 1st, 1940, to Dec. 31st, 1940	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
Resident (Individual Annual)	50,880	\$101,760.00	47,420	\$ 94,840.00	45,016	\$ 90,032.00	39,759	\$ 79,518.00
Single Purchase	3,116,729	779,182.25	3,136,171	784,042.75	2,732,493	683,123.25	2,549,674	637,418.50
Temporary (Individual Non-resident)	49	98.00	43	86.00	17	34.00	26	52.00
Druggists	1,583	3,166.00	1,600	3,200.00	1,634	3,268.00	1,635	3,270.00
Other Permits	2,588	1,760.25	2,287	1,627.00	2,112	1,473.00	1,612	1,202.50

2. August 1st, 1934. 3. July 23rd, 1934.

Mr. Acres asked the following Question (No. 123):—

1. Has the Federal Government made any representations to the Government of the Province of Ontario with a view to taking over the Employment Offices, presently under provincial control. 2. If so, when were such representations made and what was the nature thereof.

The Honourable the Minister of Labour replied as follows:—

1. Yes. 2. Letter of September 23rd, 1940, advising that the Unemployment Insurance Act contains provisions for the establishment of national employment offices and the Federal subsidy would necessarily be withdrawn when the plan is in operation. It also invited suggestions on such measures as might be taken to ensure the co-operation of the Province with the Dominion Government.

Mr. Summerville asked the following Question (No. 148):—

1. If the Employment Office at 70 Lombard Street, Toronto, has been or is presently to be closed, what disposition has been or is proposed to be made of the premises, stating particulars.

The Honourable the Minister of Labour replied as follows:—

Employment Service of Canada, Ontario Government Offices, 70 Lombard St., Toronto, was closed on October 31st, 1940, and was immediately occupied by the Workmen's Compensation Board Clinic.

Mr. Kennedy asked the following Question (No. 155):—

1. What purchases of coal were made during the fiscal year ended March 31st, 1940, with respect to each of the Ontario Hospitals indicating (a) The kinds and quantities of coal purchased with respect to each hospital; (b) The per ton price in each instance; (c) Name of dealer in each instance; (d) The total amount paid to each dealer with respect to coal supplied to each hospital. 2. Was the coal purchased on a delivered basis; if not give particulars as to cost of trucking or other delivery arrangement. 3. How many specimens of coal delivered were tested as to B.T.U. value, ash content, etc., and were any deductions in payments made or bonuses paid with respect to coal varying from standards specified, giving particulars. 4. Was the coal purchased on a competitive tender basis. 5. Were tenders advertised for, and if so, when and in what newspapers. 6. Was each dealer who so requested allowed to tender. 7. What was the total quantity of Nova Scotia coal purchased for use in Ontario Hospitals during the fiscal year ended March 31st, 1940. 8. What quantity of Nova Scotia coal was purchased for use in each of the Ontario Hospitals during the fiscal year ended March 31st, 1940; from what dealers was the Nova Scotia coal purchased in each case, at what price per ton and what was the total amount paid each dealer with respect to such Nova Scotia coal.

The Honourable the Minister of Health replied as follows:—

1. PURCHASE OF COAL MADE DURING THE FISCAL YEAR ENDED
MARCH 31st, 1940

	(a)	(a)	(b)	(c)	(d)
Ontario Hospitals	Kind	Tonnage	Price per Ton	Name of Dealer	Total Amount of Each Dealer's Contracts
Brockville	¾ Slack Bit.	1,650	\$ 6.25	J. R. Bresnan & Son	\$10,312.50
	Anth. Stove	45	12.00	J. R. Bresnan & Son	540.00
	Anth. Nut	32	12.00	J. R. Bresnan & Son	384.00
					<u>\$11,236.50</u>
	¾ Slack Bit.	1,650	6.25	Central Can. Coal Co.	10,312.50
	Anth. Stove	45	12.00	Central Can. Coal Co.	540.00
	Anth. Egg	26	12.00	Central Can. Coal Co.	312.00
					<u>11,164.50</u>
	Mine Run Bit.	2,200	5.16	Valley Camp Coal Co.	11,352.00
					<u>11,352.00</u>
Cobourg	Anth. Stove	60	11.75	Wm. Jenning & Co.	705.00
	Anth. Egg	15	11.75	Wm. Jenning & Co.	176.25
	Anth. Pea	1	10.00	Wm. Jenning & Co.	10. 0
					<u>891.25</u>
	Bit. Steam	300	6.50	Murphy Coal Co.	1,850.00
Fort William	Anth. Stove	13	13.50	Murphy Coal Co.	175.50
	Anth. Egg	13	13.50	Murphy Coal Co.	175.50
					<u>2,201.00</u>
Hamilton	¾ Lump Bit.	5,500	5.39	Canada Coal	29,645.00
					<u>29,645.00</u>
	Anth. Stove	300	9.95	Ferrey Coal Co.	2,985.00
	Anth. Nut	5	9.95	Ferrey Coal Co.	49.75
Kingston					<u>3,034.75</u>
			(1750)	Main Bldg.	\$8,925.00
	2" Slack Bit.	2,125	Balance	Morris Coal Co.	
			375	Mowat	\$2,137.50
					<u>11,062.50</u>
	¾ Lump Bit.	250	5.35	Morris Coal Co.	1,337.50
	Anth. Egg	275	12.50	Morris Coal Co.	3,437.50
					<u>15,837.50</u>
	2" Slack Bit.	2,125	Bal. 1,750	Main Bldg.	
			375	Mowat Drury	
London				Supplies	8,925.00
					<u>2,137.50</u>
					<u>11,062.50</u>
	¾ Lump Bit.	250	5.35	Drury Supplies	1,337.50
					<u>12,400.00</u>
	Mine Run Bit.	5,000	5.25	Elias Rogers Coal Co.	26,250.00
					<u>26,250.00</u>
	Anth. Stove	240	9.68	Wm. Heanan & Son	2,323.20
					<u>2,323.20</u>
	¾ Slack Bit.	6,000	4.74	Elias Rogers Coal Co.	28,440.00
New Toronto	Anth. Stove	275	9.62	Elias Rogers Coal Co.	2,645.50
	Anth. Nut	25	9.62	Elias Rogers Coal Co.	240.50
					<u>31,326.00</u>
	Anth. Blower	15	7.69	Conger Lehigh Coal Co.	115.35
					<u>115.35</u>
New Toronto Concord	Mine Run Bit.	200	5.45	Canada Coal Co.	1,090.00
	Pocahontas	40	8.00	Canada Coal Co.	320.00
					<u>1,410.00</u>
	Anth. Nut	5	11.00	Standard Fuel Co. Ltd.	55.00
Orillia					<u>55.00</u>
	2" Slack Bit.	6,000	5.24	Elias Rogers Coal Co.	31,440.00
					<u>31,440.00</u>
Penetang	Anth. Stove	220	10.40	Sarjeant Co., Ltd.	2,288.00
					<u>2,288.00</u>
	Mine Run Bit.	500	5.10	Sarjeant Co., Ltd.	2,550.00
St. Thomas	Anth. Stove	50	11.05	Sarjeant Co., Ltd.	552.50
					<u>3,102.50</u>
	2" Slack Bit.	10,000	4.74	W. H. Swift & Co.	47,400.00
					<u>47,400.00</u>

1. PURCHASE OF COAL MADE DURING THE FISCAL YEAR ENDED
MARCH 31st, 1940—Continued

	(a)	(a)	(b)	(c)	(d)	
Ontario Hospitals	Kind	Tonnage	Price per Ton	Name of Dealer	Total Amount of Each Dealer's Contracts	
Toronto	2" Slack Bit.	2,200	4.87	Canada Coal Co.	10,714.00	
	$\frac{3}{4}$ " Lump Bit.	600	5.53	Canada Coal Co.	3,318.00	
						14,032.00
	Anth. Nut	100	8.99	Elias Rogers Coal Co.	899.00	
	Anth. Stove	25	8.99	Elias Rogers Coal Co.	224.75	
Whitby						1,123.75
	2" Slack Bit.	1,000	5.05	McLaughlin Coal Co.	5,050.00	
	$\frac{3}{4}$ " Slack	6,500	4.85	McLaughlin Coal Co.	31,525.00	
	Anth. Stove	260	9.60	McLaughlin Coal Co.	2,496.00	
Woodstock						39,071.00
	2" Slack Bit.	4,800	5.35	Elias Rogers Co. Ltd.	25,680.00	
						25,680.00
	Anth. Stove	75	12.50	Crown Lumber Coal & Supplies	937.50	
	Scotch Anth. Nut	30	15.25	Crown Lumber Coal & Supplies	457.50	
						1,395.00

2. Yes. 3. 24 specimens—no deductions or bonuses. 4. Yes. 5. No.
6. Yes. 7. None. 8. None.

The House resolved itself into a Committee to consider Bill (No. 41), An Act to amend The Magistrates Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 12), An Act respecting the County of Carleton and the University of Ottawa, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments having been read a second time were agreed to.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee, severally to consider the following Bills:—

Bill (No. 9), An Act to incorporate Malton Water Company.

Bill (No. 10), An Act respecting National Steel Car Corporation, Limited.

Bill (No. 19), An Act respecting the City of Windsor.

Bill (No. 22), An Act respecting the Town of Timmins.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the several Bills without amendments.

Ordered, That the Bills reported be severally read the third time on Monday next.

On motion of Mr. McQuesten, seconded by Mr. Hepburn (Elgin),

Ordered, That this House do forthwith resolve itself into a Committee to consider a certain proposed Resolution respecting the payment of \$12,000 per year to the City of Niagara Falls in lieu of taxes on property taken for the Rainbow Bridge.

Mr. Hepburn (Elgin) acquainted the House that His Honour the Lieutenant-Governor, having been informed of the subject matter of the proposed Resolution, recommends it to the consideration of the House.

The House then resolved itself into the Committee.

(In the Committee)

Resolved, That there be paid out of the Consolidated Revenue Fund to the City of Niagara Falls in the Province of Ontario the annual sum of \$12,000 in the year 1941 and in each year thereafter until and including the year 1980.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to a certain Resolution.

Ordered, That the Report be now received.

Resolved, That there be paid out of the Consolidated Revenue Fund to the City of Niagara Falls in the Province of Ontario the annual sum of \$12,000 in the year 1941 and in each year thereafter until and including the year 1980.

The Resolution having been read the second time was agreed to and referred to the House on Bill (No. 55).

The House again resolved itself into a Committee to consider Bill (No. 77), The School Law Amendment Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 53), An Act to amend The Mental Hospitals Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 58), An Act to amend The Venereal Diseases Prevention Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 66), An Act to amend The Sanatoria for Consumptives Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 72), An Act to Ratify and Confirm a certain agreement entered into between His Majesty the King and the Algoma Central and Hudson Bay Railway Company, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 73), An Act to amend The Income Tax Act (Ontario), and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time on Monday next.

The House resolved itself into a Committee to consider Bill (No. 79), An Act to amend The Power Commission Insurance Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time on Monday next.

Resolved, That the Committee have leave to sit again on Monday next.

The following Bills were severally read the second time:—

Bill (No. 74), An Act to amend The Corporations Tax Act, 1939.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 80), An Act to amend The Division Courts Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 84), An Act to amend The Public Service Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 90), The Statute Law Amendment Act, 1941.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 83), An Act to amend The Cemetery Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 85), An Act to amend The Highway Traffic Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 86), An Act to amend The Beach Protection Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 87), An Act to amend The Ontario Municipal Board Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 89), An Act to amend The Local Improvement Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 88), An Act to amend The Surveys Act

Referred to a Committee of the Whole House on Monday next.

Bill (No. 55), An Act respecting the Rainbow Bridge.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 81), An Act to amend The Temiskaming and Northern Ontario Railway Act.

Referred to a Committee of the Whole House on Monday next.

Bill (No. 76), An Act to amend The Milk Control Act.

Referred to a Committee of the Whole House on Monday next.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Report of the Secretary and Registrar of the Province of Ontario with respect to the Administration of The Companies Act, The Extra-Provincial Corporations Tax Act, The Mortmain and Charitable Uses Act, and The Companies Information Act for fiscal year ending March 31st, 1940. (*Sessional Papers No. 33.*)

The House then adjourned at 5.05 p.m.

MONDAY, APRIL 7TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bills were severally introduced and read the first time:—

Bill (No. 94), intituled, "An Act to amend The Fatal Accidents Act." *Mr. Elgie.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 95), intituled, "An Act to amend The Insurance Act." *Mr. Strachan.*

Ordered, That the Bill be read a second time to-morrow.

Bill (No. 96), intituled, "An Act respecting a certain Bond Mortgage made by the Abitibi Power and Paper Company Limited to the Montreal Trust Company." *Mr. Conant.*

Ordered, That the Bill be read a second time to-morrow.

Mr. Kennedy asked the following Question (No. 81):—

1. How many Veterans whose cases were dealt with in the Hunter Report tabled in the Legislature at the 1935 Session have been reinstated. 2. Give names and date of reinstatement in each case. 3. How many, whose names remain on the list, are eligible for reinstatement, have not been reinstated.

The Honourable the Prime Minister replied as follows:—

1. 185.

2.

Name	Date of Reinstatement
Cooper, William	Apr. 15, 1936
Kennedy, Harry	Apr. 27, 1936
Porter, Peter	Oct. 10, 1936
Gillard, M. V.	Apr. 16, 1936
Heaven, A. C.	Apr. 16, 1936
Harvey, A. L.	Apr. 16, 1936
McIntyre, D. A.	Apr. 16, 1936
Reid, R. G.	Apr. 16, 1936
Westaway, H. W.	Apr. 16, 1936
Swartman, G.	Apr. 16, 1936
Overbury, R. F.	Apr. 16, 1936
Belair, E.	June 1, 1936
Ford, A. W.	June 8, 1936
Breadner, C.	June 6, 1936
Ade, Walter	Oct. 1, 1936
Allan, John W.	Apr. 10, 1936
Brown, Orloff H.	Dec. 10, 1936
Hotchkiss, William	May 1, 1936
Joyner, Edward	June 19, 1936
Kerr, Walter B.	July 1, 1936
Kreutzwiser, H. A.	Oct. 1, 1936
McManus, Walter B. . . .	Nov. 2, 1936
Robertson, William	Sept. 21, 1936
Tengesdal, Osmund	Nov. 24, 1936
Thomson, Andrew W. . . .	Apr. 1, 1936
Twyman, Henry L.	July 13, 1936
Campbell, Robert A. . . .	Aug. 1, 1936
Satterley, Frederick J. . .	Oct. 4, 1937
McWilliams, Hugh C. . . .	Apr. 1, 1935
Latimer, R. George	Oct. 6, 1934
Henderson, C. T.	Apr. 17, 1935
Colley, J. W.	Aug. 1, 1937
McArthur, John	Apr. 1, 1935
Welch, N.	May 6, 1935
Ellis, W. J.	Apr. 4, 1935
Guertin, E.	Apr. 15, 1935
Johnson, Charles	Apr. 26, 1935
McEwen, A. H.	Nov. 10, 1938

Name	Date of Reinstatement
Lynch, Simon	May 3, 1935
Laginskie, John	June 11, 1936
McIntyre, Frank	May 1, 1935
Simond, Michael	May 13, 1935
Ladouceur, E.	Apr. 29, 1935
Cross, Robert	Apr. 1, 1935
Kingerski, W.	Apr. 1, 1935
Wallace, Fred	Apr. 1, 1935
Foote, C. E.	May 1, 1938
Boucher, F.	May 18, 1935
Horn, M. R.	Apr. 20, 1935
Duncan, H.	Sept. 21, 1934
Etmanskie, P. H.	May 7, 1936
Hicks, Elvin	October, 1936
Johnston, Ernie	October, 1935
Pousette, A. C. B.	March, 1935
Washburn, A.	March, 1935
Fox, Charles	
McCaughey, R. W.	Nov. 7, 1934
Martin, C.	Oct. 6, 1936
Sutherland, W.	Dec. 1, 1935
Corkhill, F.	Available from time to time.
Anderson, John	Nov. 26, 1936
Anderson, Ed.	May 2, 1936
Colman, Charles	June 17, 1936
Dyer, Herb.	Jan. 29, 1934
Herbert, Cecil	Apr. 10, 1936
Jackson, J. E.	January, 1935
Leavoy, R.	Jan. 1, 1935
Miller, W.	Apr. 13, 1936
Montgomery, R.	Dec. 16, 1936
Phipps, H. R.	May 4, 1936
Savord, Joseph	Nov. 2, 1936
Scott, W. A.	July 6, 1936
Smith, W. T.	May 19, 1936
Templeton, J. F.	May 13, 1935
Welch, D. H.	Nov. 23, 1936

The remaining 110 are listed in Return number 63 of 1936.

3. Thirty-eight names were stricken from the Hunter Report as improperly included and the balance formed the eligible list, but it is not known how many have died, left the Province, or passed the age of seventy.

Mr. Duckworth asked the following Question (No. 125):—

1. How many road camps for the detention of prisoners have been placed in operation since the present Government took office, specifying: (a) Total number established and location of each; (b) Number and location of camps in use, December 31st, 1940. 2. What was the total amount expended to December 31st, 1940, in connection with each camp as to: (a) Cost of construction, furnishing and other capital costs; (b) Operating costs. 3. What was the opening date for each camp. 4. For the period April 1st, 1940, to December 31st, 1940, what was, with respect to each camp: (a) Average number of inmates; (b) Average number of staff. 5. What road construction or other construction of public works has been accomplished to December 31st, 1940, with respect to each of the camps established. 6. Detail particulars as to purchase and rental of road machinery and construction machinery and equipment for use in connection with road camps.

The Honourable the Provincial Secretary replied as follows:—

1. (a) Three (Industrial Farm, Seagram)—

Camp No. 1—Lukinto Lake, 10 miles east of Long Lac.

Camp No. 2—West Camp, 4 miles east of Long Lac.

Camp No. 3—David Lake, 19 miles east of Long Lac.

(b) Two—Lukinto Lake and David Lake.

2. (a)	Provincial Secretary's Dept.	Highways Dept.	Total
Camp No. 1.....	\$ 7,756.21	\$26,400.00	\$34,156.21
Camp No. 2.....	4,073.20	6,750.00	10,823.20
Camp No. 3.....	6,609.80	17,580.00	24,189.80
	<hr/>	<hr/>	<hr/>
	\$18,439.21	\$50,730.00	\$69,169.21
(b) Camp No. 1.....	\$ 55,695.83		
Camp No. 2.....	24,024.17		
Camp No. 3.....	34,480.81		
	<hr/>		
	\$114,200.81		
3. Camp No. 1—January 5th, 1940.			
Camp No. 2—March 1st, 1940.			
Camp No. 3—May 3rd, 1940.			
4. (a) Camp No. 1—97.7 April 1st to December 31st, 1940.			
Camp No. 2—50.3 April 1st to July 31st, 1940.			
Camp No. 3—90.8 May 3rd to December 31st, 1940.			
(b) Camp No. 1—13 April 1st to December 31st, 1940.			
Camp No. 2—7 April 1st to July 31st, 1940.			
Camp No. 3—12 May 3rd to December 31st, 1940.			

5. Roadwork accomplished by inmates of the Seagram Industrial Farm to December 31st, 1940. Clearing 405 acres; Grubbing 240 acres; Ditching 10,000 cubic yards; Earth Excavation 300,000 cubic yards; Log Culverts (5), 5,240 lineal feet. In doing the above work, 47 miles of tote road were built of which 42 miles are passable by truck.

6. *Road equipment purchased:* 4, D30, 2 yd. International Dump Trucks at \$1,125.00 each. *Road equipment taken over on rental purchase plan:* 2, D7, Caterpillars with angledozers at \$630.00 per month for each combination, for 10 months; 1, RD7, Caterpillar with angledozer at \$630.00 per month, for 10 months; 1, D7, Caterpillar with snow plow at \$510.00 per month, for 10 months. *Road equipment rented:* 1, 75B, Lorrain Gas Shovel, 1¼ yd., with dipper stick and dragline boom at \$750.00 per month; 4, 2 yd. Ford Dump Trucks at \$5.00 per day each; 1, RD7, Caterpillar with angledozer at \$4.00 per hour, including operator's wages; 1 set Heavy Duty Tractor Sleighs at \$35.00 per month. 1 set Heavy Duty Tractor Sleighs at \$45.00 per month.

Mr. Acres asked the following Question (No. 129):—

1. From April 1st, 1937, to December 31st, 1940, what is the number of flying hours in Government-owned airplanes of each Minister of the Government. 2. What other passengers have been carried on these trips, accompanying the various Ministers. 3. From April, 1937, to December 31st, 1940, what is the number of flying hours in Government-owned airplanes of each Civil Servant of the Province except those employed in the Provincial Air Force and as fire or forest rangers. 4. How many airplanes are now owned by the Province. 5. How many airplanes have been purchased by the Province since the present Government took office. 6. From whom were the airplanes mentioned in (5) purchased in each case, what was date of purchase and what was the cost of each; also state type of airplane. 7. Since the present Government took office, how many airplanes have been manufactured by the Province under manufacturing rights purchased from A. H. to L. D. Buhl. 8. Since April 1st, 1936, how many accidents have happened to Ontario Government airplanes. 9. Were any planes destroyed, and if so, when, where and what was value of each. 10. Where did the accidents occur and when, and when planes were salvaged, what was cost of repairs in each case.

The Honourable the Minister of Lands and Forests replied as follows:—

1. MINISTER OF LANDS AND FORESTS

Date	Hours	Passengers
July 29th, 1937.....	.40	Minister W. C. Cain
July 30th, 1937.....	3.00	Minister W. C. Cain
July 31st, 1937.....	.25	Minister and party of 2
August 1st, 1937.....	2.20	Minister and party of 2
August 14th, 1937.....	2.45	Minister
August 15th, 1937.....	2.40	Minister

MINISTER OF LANDS AND FORESTS—Continued

Date	Hours	Passengers
August 17th, 1937.....	2.45	Minister L. Fine
August 18th, 1937.....	.45	Minister H. Fine
August 24th, 1938.....	2.05	Minister
October 19th, 1938.....	1.05	Minister and party of 2
July 2nd, 1939.....	1.30	Minister and party of 2
August 31st, 1939.....	1.05	Minister and party of 2
September 1st, 1939.....	1.35	Minister
September 1st, 1939.....	2.25	Minister
September 2nd, 1939.....	2.45	Minister
May 21st, 1940.....	1.35	Minister
September 25th, 1940.....	1.15	Minister
Total.....	27.60	

MINISTER OF PUBLIC WORKS

Date	Hours	Passengers
September 19th, 1938.....	1.10	Minister R. A. McAllister
September 21st, 1940.....	2.45	Minister R. A. McAllister Mayor Parker
September 22nd, 1938.....	2.00	Minister
September 23rd, 1938.....	4.10	Minister R. A. McAllister
July 1st, 1939.....	1.15	Minister
Total.....	10.80	

ATTORNEY-GENERAL

Date	Hours	Passengers
August 23rd, 1938.....	2.50	Attorney-General and party of 2
May 26th, 1940.....	.30	Attorney-General and party of 1
May 28th, 1940.....	.35	Attorney-General
Total.....	3.15	

MINISTER OF AGRICULTURE

Date	Hours	Passengers
July 6th, 1938.....	.45	Minister

3. Inspector A. S. O'Hara, Dept. of Health	9.30	hours
S. Harris, Dept. of Health	3.20	"
Nurse Abbott, Dept. of Health	3.20	"
Inspector D. E. Moore, Dept. of Health	2.45	"
Inspector S. Shannon, Dept. of Education	1.15	"
Constable J. Higgins, Dept. of Attorney-General	4.55	"
Inspector A. R. Knight, Dept. of Attorney-General	2.80	"
Constable Blain, Dept. of Attorney-General	1.45	"
Constable P. J. Poland, Dept. of Attorney-General	2.50	"
Constable L. E. Nix, Dept. of Attorney-General .....	.90	"
Constable R. G. Pike, Dept. of Attorney-General	3.60	"
Constable D. Hamilton, Dept. of Attorney-General .....	.30	"
Constable F. Christie, Dept. of Attorney-General	2.80	"
Crown Attorney E. D. Wilkins, Dept. of Attorney-General ..	4.30	"
Sergeant W. A. Page, Dept. of Attorney-General	4.30	"
Magistrate W. M. Cooper, Dept. of Attorney-General	5.65	"
Crown Attorney O'Flynn, Dept. of Attorney-General .....	.65	"
Constable T. S. Crawford, Dept. of Attorney-General .....	.35	"
W. B. Common, K.C., Dept. of Attorney-General	3.35	"
Actg. Cr. Attorney J. McEwen, Dept. of Attorney-General ..	4.05	"
Official Court Reporter S. Watkinson, Dept. of Attorney-General	4.05	"
Constable H. S. Johns, Dept. of Attorney-General	1.05	"
Constable W. F. Gray, Dept. of Attorney-General	7.30	"
E. L. Torrey, Investigator, Dept. of Public Welfare	1.20	"
K. M. Morrison, Dept. of Public Welfare	11.20	"
W. A. Grant, Dept. of Public Welfare	7.30	"
J. A. Dignam, Provincial Auditor's Office	1.25	"
G. H. Evans, Provincial Auditor's Office	1.25	"
A. L. McDougall, Dept. of Highways	2.15	"
H. R. Phipps, Dept. of Highways	6.35	"
E. Smith, Dept. of Highways	4.15	"
C. H. Nelson, Dept. of Highways	11.15	"
F. Frances, Dept. of Highways	4.15	"
C. Tackaberry, Dept. of Highways	7.00	"
A. M. Mills, Dept. of Highways	1.45	"
A. E. Cave, Dept. of Mines .....	.55	"
D. F. Cooper, Dept. of Mines	2.80	"
M. W. Bartley, Dept. of Mines .....	.20	"
J. Hardman, Dept. of Game and Fisheries	2.40	"
R. D. Windsor, Dept. of Game and Fisheries	23.40	"
W. Faubert, Dept. of Game and Fisheries	9.45	"
C. D. Liddle, Dept. of Game and Fisheries	10.70	"
W. McKenzie, Hydro-Electric Power Commission	3.40	"
G. Taylor, Hydro-Electric Power Commission	3.40	"
W. Catton, Dept. of Provincial Secretary	1.35	"

4. 28. 5. 9.

6. Purchased From	Date	Cost	Type
Stinson Aircraft Corpn., Wayne, Mich.....	June, 1937	\$24,055.28	Stinson, SR-9F

Purchased From	Date	Cost	Type
Stinson Aircraft Corpn., Wayne, Mich.....	June, 1937	24,055.28	Stinson, SR-9F
British North American Airways, Toronto, Ont.	April, 1938	16,000.00	Stinson, SR-9F
British North American Airways, Toronto, Ont.	April, 1938	16,000.00	Stinson, SR-9F
Stinson Aircraft Corpn., Wayne, Mich.....	Feb., 1938	24,874.73	Stinson, SR-9-FM
Stinson Aircraft Corpn., Wayne, Mich.....	Feb., 1938	24,800.96	Stinson, SR-9-FM
Stinson Aircraft Corpn., Wayne, Mich.....	Sept., 1940	25,549.99	Stinson, SR-10
Irving Oil Co., Ltd., St. John, New Brunswick.	Jan., 1941	12,500.00	Stinson, SR-9F
Graham & Howe, Attor- neys-at-Law, Seattle, Wash.....	Jan., 1941	18,219.00	Stinson, SR-9-FM

7. 4. 8. 10. 9. Yes.

Type	When	Where	Value
D. H. 61	May 23, 1936	Gander Lake (Sioux Lookout District)	\$ 4,000.00
Moth	June 8, 1936	Port Arthur	1,500.00
Moth	Aug. 12, 1936	Near Upper Manitou Lake, Twin Lakes	1,500.00
Moth	Mar. 18, 1940	Sault Ste. Marie	1,500.00
Buhl	June 22, 1940	Small Lake near Meggisans Lake, Algoma District	10,734.00
Vedette	Aug. 30, 1940	Orient Bay	2,500.00

10. Accidents happened at Gander Lake (Sioux Lookout District), Port Arthur, Small Lake near Upper Twin Lakes, Caribou Lake, Sault Ste. Marie (2), Garden River, Small Lake near Meggisans Lake, Orient Bay and Biscotasing. Cost of repairs to machines salvaged—Moth, \$1,960.14; Moth, \$2,246.20; Buhl, \$10,629.56; and one Moth now being repaired at an estimated cost of \$1,000.00 to \$1,500.00.

Mr. Acres asked the following Question (No. 131):—

1. Since April 1st, 1937, what Royal Commissions have been appointed by the Government and indicate: (a) Subject of investigation; (b) Who have been employed in each case, including Commissioners, Counsel, experts, engineers, reporters and others; (c) The amount paid to each of those mentioned in (b); (d) Total cost in each case.

The Honourable the Prime Minister replied as follows:—

1. (a) A Royal Commission to investigate the affairs and financial position of the Abitibi Power & Paper Co., Ltd.; (b) Hon. Mr. Justice McTague, A. E.

Dyment, Esq., Sir James Dunn, Mr. G. W. Mason, K.C., Mr. R. M. Fowler, Mr. H. O. Taylor, Official Reporter, Mr. E. S. Thorne, Registrar; (c) H. O. Taylor, \$1,883.10; E. S. Thorne, \$277.50; Total \$2,160.60; (d) \$2,160.60 plus incidental miscellaneous expenditures of \$145.32, making a total expenditure of \$2,305.92.

ROYAL COMMISSION TO INVESTIGATE ONTARIO HOSPITALS

1. Honorarium—	
Commissioner Dr. W. H. Avery.....	\$ 3,850.00
2. Travelling Expenses—	
(a) Commissioners:	
C. R. Magone.....	\$397.97
L. Conacher.....	268.25
(b) Registrar:	
A. E. Baker.....	229.55
(c) Counsel:	
E. H. Silk.....	357.75
(d) Shorthand Reporters:	
F. J. Sperapani.....	228.15
(e) Constable:	
H. G. Rogers.....	112.55
	<hr/> 1,594.22
3. Shorthand Transcriptions—	
Canadian Newspaper Services.....	425.40
4. Miscellaneous—	
Telegrams, Telephone, Stationery, Printing, Postage and	
Sundry Expenses.....	502.34
	<hr/>
Total Cost.....	\$ 6,371.96

ROYAL COMMISSION INTO HIGHWAY TRANSPORTATION IN ONTARIO

1. Honoraria—	
Mr. Justice Chevrier.....	\$6,000.00
E. R. Sayles.....	5,000.00
Professor Young.....	5,000.00
	<hr/> \$16,000.00
2. Travelling Expenses—	
Mr. Justice Chevrier.....	\$ 226.10
E. R. Sayles.....	1,809.20
	<hr/> 2,035.30
3. Counsel—	
Mr. Joseph Singer.....	4,100.00
4. Economist—	
M. D. Wilson.....	10,263.90

5. Registrar—		
D. C. Wells.....	\$	1,724.81
6. Shorthand Reporters—		
R. Brydie.....	\$7,108.00	
H. Redmond.....	245.24	
E. M. Halter.....	44.79	
O. Robitaille.....	100.00	
		7,498.03
7. Advertising—		
Evening Telegram.....	\$ 53.55	
Globe Printing Co.....	54.60	
Toronto Star, Ltd.....	51.54	
		159.69
8. Printing—		
Mundy, Goodfellow Printing Co., Ltd.....		1,429.50
9. Caretaker—		
J. H. Best.....		100.00
10. Witnesses—		
Sundry Persons.....		282.84
11. Stationery—		
Callow Bros.....	\$ 60.70	
Grand & Toy, Ltd.....	81.60	
Litho Print, Ltd.....	68.46	
Might Directories, Ltd.....	111.98	
Stainton & Evis, Ltd.....	49.00	
Warwick Bros. & Rutter, Ltd.....	25.37	
		397.11
12. Miscellaneous—		
Postage, Telegrams, Telephone and Sundry Expenses.....		542.10
Total Cost.....		<u>\$44,533.28</u>

ROYAL COMMISSION TO INVESTIGATE THE HOMEWOOD SANITARIUM

(b) F. H. Barlow, Esq., K.C., Master of the Supreme Court of Ontario, was appointed Commissioner. The following reporters were employed: N. R. Butcher & Co.; Alice B. Cabeldu; L. Harding; Dr. W. W. Barraclough, called as an expert witness.

(c) F. H. Barlow paid \$1,000 honorarium (by the Attorney-General); F. H. Barlow, \$183.30 expenses; N. R. Butcher & Co., \$112.60; Alice B. Cabeldu, \$310.25; L. Harding, \$119.40; Dr. W. W. Barraclough, \$120.00, expert witness fees; Dr. W. W. Barraclough, \$27.00, expenses.

In addition to the sums set out in (c), the following amounts were spent: Mrs. Eva P. McIntosh, a witness, \$30.00, as conduct money; Miscellaneous, \$20.90.

(d) Total cost, \$1,923.45.

Mr. Spence asked the following Question (No. 157):—

1. How many loans were made to settlers by the Settlers' Loan Commissioner.
2. How many of these loans were outstanding in whole or in part on December 31st, 1940.
3. What amount of these loans was outstanding on December 31st, 1940, and of the total amount indicate: (a) Amount in arrears; (b) Amount not in arrears.
4. What amount of interest was past due on December 31st, 1940.
5. What agency is now collecting these loans.
6. When was the position of Settlers' Loan Commissioner abolished.
7. When was the practice of making loans to Settlers under The Northern Development Act abolished, or discontinued.

The Honourable the Minister of Agriculture replied as follows:—

1. 5,827.
2. 2,400.
3. (a) Amount in arrears (Principal), \$415,251.55; (b) Amount not in arrears (Principal), deferred payments, \$123,910.08; Total, \$539,161.63.
4. \$169,490.60.
5. Commissioner of Agricultural Loans.
6. By Order-in-Council dated 20th May, 1936, the duties of the Settlers' Loan Commissioner were transferred to the Commissioner of Agricultural Loans, who was authorized to act, without remuneration, in the place of the former Settlers' Loan Commissioner.
7. October 31st, 1934.

Mr. Summerville asked the following Question (No. 158):—

1. What was (a) the quantity and (b) the value of the stock of common brick and of tapestry brick at the Ontario Brick and Tile Plant at Mimico on December 31st, 1940.
2. What was the value of the stock of the following products at the Ontario Brick and Tile Plant, Mimico, as of December 31st, 1940, viz.: (a) Floor and wall tile; (b) Spanish roofing tile; (c) Hollow building tile; (d) Agricultural tile.
3. When was the manufacture of clay products discontinued at this institution.

The Honourable the Provincial Secretary replied as follows:—

	(a) Quantity	(b) Value
1. Common Brick.....	377,439	\$5,073.39
Tapestry Brick.....	124,036	2,527.25
Total.....	501,475	\$7,600.64

2. (a) \$8,464.27; (b) \$651.03; (c) \$24,497.17; (d) \$2,680.08.
3. January 13th, 1940—Plant closed due to war conditions.

Mr. Doucett asked the following Question (No. 162):—

1. How much was spent for motor car rentals by each Department of the Government in the fiscal year ending March 31st, 1940.
2. How much was paid to members of the civil service for the same period with respect to mileage for use of their motor cars on Government business, specifying the amount spent by each Department.
3. What is the present mileage rate allowed with respect to

personally-owned motor cars used by members of the civil service on Government business and what are the present rules and regulations respecting such allowances.

The Honourable the Minister of Highways replied as follows:—

1. Car Rentals—Agriculture, \$24,899.77; Education, \$1,895.23; Health, \$1,195.85; Labour, \$316.89; Lands & Forests, \$2,014.28; Mines, \$1,744.28; Provincial Secretary, \$710.44; Provincial Treasurer, \$4.50; Public Welfare, \$5,116.38; Public Works, \$35.01. 2. Mileage Allowances—Agriculture, \$74,946.31; Attorney-General, \$103,073.29; Education, \$44,737.70; Game & Fisheries, \$20,176.65; Health, \$19,001.21; Highways, \$285,197.02; Insurance, \$1,837.84; Labour, \$32,922.79; Lands & Forests, \$52,832.98; Mines, \$3,685.24; Municipal Affairs, \$2,647.61; Prime Minister, \$213.77; Provincial Auditor, \$689.53; Provincial Secretary, \$12,065.35; Provincial Treasurer, \$7,781.23; Public Welfare, \$85,357.40; Public Works, \$4,115.79. 3. Mileage Rate—Five cents a mile in Southern Ontario, and seven cents a mile in Northern Ontario. The dividing line between Southern and Northern Ontario is as follows:—

“Beginning at Penetanguishene through Midland follow Highway No. 12 to its junction with No. 7 north of Sunderland. Follow No. 7 eastward to Perth, No. 15 to Carleton Place, No. 29 to Arnprior, No. 17 to Renfrew, the paved County Road from Renfrew through Douglas to Pembroke, No. 17 Pembroke to Chalk River; the above named Highways to be included in Southern Ontario.

There is also a ruling that on direct trips to places served by rail, railway fare only may be charged.

In respect to Question (No. 76), regarding the cost of the Hydro-Electric Power Commission addition to Head Office, the Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Challies, seconded by Mr. Kennedy,

Ordered, That there be laid before this House a Return showing: 1. What is the total cost of the addition to the Hydro-Electric Power Commission Head Office since 1937: (a) Building; (b) Furniture and furnishings; (c) Equipment and accessories (1) to date, (2) estimated to complete. 2. Was the expenditure approved by the (a) Hydro-Electric Power Commission; (b) By the Ontario Government—and what date. 3. Were tenders called. If so, what tenders were received. 4. When was the addition started. 5. What was the cost of the new Hydro-Electric Power Commission building to the end of 1937, contracted for in 1934 or 1935.

The following Bills were read the third time and were passed:—

Bill (No. 41), An Act to amend The Magistrates Act.

Bill (No. 12), An Act respecting the County of Carleton and the University of Ottawa.

Bill (No. 9), An Act to incorporate Malton Water Company.

Bill (No. 10), An Act respecting National Steel Car Corporation, Limited.

Bill (No. 19), An Act respecting the City of Windsor.

Bill (No. 22), An Act respecting the Town of Timmins.

Bill (No. 77), The School Law Amendment Act, 1941.

Bill (No. 53), An Act to amend The Mental Hospitals Act.

Bill (No. 58), An Act to amend The Venereal Diseases Prevention Act.

Bill (No. 66), An Act to amend The Sanatoria for Consumptives Act.

Bill (No. 72), An Act to Ratify and Confirm a certain agreement entered into between His Majesty the King and the Algoma Central and Hudson Bay Railway Company.

Bill (No. 73), An Act to amend The Income Tax Act (Ontario).

Bill (No. 79), An Act to amend The Power Commission Insurance Act.

The following Bills were severally read the second time:—

Bill (No. 54), An Act respecting the subsidizing of Cheese and Hogs produced in Ontario.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 82), An Act to amend The Securities Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 91), An Act to amend The Department of Municipal Affairs Act.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 92), The Municipal Amendment Act, 1941.

Referred to a Committee of the Whole House to-morrow.

Bill (No. 93), The Assessment Amendment Act, 1941.

Referred to a Committee of the Whole House to-morrow.

The House resolved itself into a Committee to consider the following Bill:—

Bill (No. 16), An Act respecting the Roman Catholic Separate Schools for the City of Toronto.

Mr. Speaker resumed the Chair; and Mr. Carr reported, That the Committee had directed him to report the Bill with an Amendment.

The Amendment, having been read the second time, was agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 80), An Act to amend The Division Courts Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Carr reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 84), An Act to amend The Public Service Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Carr reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 83), An Act to amend The Cemetery Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Carr reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 85), An Act to amend The Highway Traffic Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Carr reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 86), An Act to amend The Beach Protection Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 87), An Act to amend The Ontario Municipal Board Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 89), An Act to amend The Local Improvement Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 88), An Act to amend The Surveys Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 81), An Act to amend The Temiskaming and Northern Ontario Railway Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 55), An Act respecting the Rainbow Bridge, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 76), An Act to amend The Milk Control Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 74), An Act to amend The Corporations Tax Act, 1939, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House, according to Order, again resolved itself into the Committee of Supply.

(In the Committee)

Resolved, That there be granted to His Majesty, for the services of the fiscal year ending March 31st, 1942, the following sums:—

66. To defray the expenses of the Main Office, Department of Health.....	\$ 278,300.00
67. To defray the expenses of the Maternal and Child Hygiene and Public Health Nursing Branch, Department of Health.....	28,450.00
68. To defray the expenses of the Dental Service Branch, Department of Health.....	13,600.00
69. To defray the expenses of the Inspection of Training Schools for Nurses Branch, Department of Health.....	17,450.00

70. To defray the expenses of the Epidemiology Branch, Department of Health.....	\$ 208,400.00
71. To defray the expenses of the Venereal Diseases Branch, Department of Health.....	157,650.00
72. To defray the expenses of the Tuberculosis Prevention Branch, Department of Health.....	170,440.00
73. To defray the expenses of the Industrial Hygiene Branch, Department of Health.....	70,900.00
74. To defray the expenses of the Sanitary Engineering Branch, Department of Health.....	48,900.00
75. To defray the expenses of the Laboratory Branch, Department of Health.....	153,400.00
76. To defray the expenses of the Laboratory Division Branch, Department of Health.....	82,370.00
77. To defray the expenses of the Hospitals, General Office, Grants, etc., General Expenses, Ontario Hospitals, Department of Health.....	3,831,850.00
78. To defray the expenses of the Ontario Hospital, Brampton, Department of Health.....	7,975.00
79. To defray the expenses of the Ontario Hospital, Brockville, Department of Health.....	412,600.00
80. To defray the expenses of the Ontario Hospital, Cobourg, Department of Health.....	160,300.00
81. To defray the expenses of the Ontario Hospital, Fort William, Department of Health.....	68,800.00
82. To defray the expenses of the Ontario Hospital, Hamilton, Department of Health.....	547,300.00
83. To defray the expenses of the Ontario Hospital, Kingston, Department of Health.....	445,900.00
84. To defray the expenses of the Ontario Hospital, Langstaff, Department of Health.....	131,200.00
85. To defray the expenses of the Ontario Hospital, London, Department of Health.....	623,900.00
86. To defray the expenses of the Ontario Hospital, New Toronto, Department of Health.....	515,800.00
87. To defray the expenses of the Ontario Hospital, New Toronto, Concord Unit, Department of Health.....	39,100.00
88. To defray the expenses of the Ontario Hospital, Orillia, Department of Health.....	571,200.00
89. To defray the expenses of the Ontario Hospital, Penetanguishene, Department of Health.....	254,400.00
90. To defray the expenses of the Ontario Hospital, Toronto, Department of Health.....	467,000.00
91. To defray the expenses of the Ontario Hospital, Whitby, Department of Health.....	703,300.00
92. To defray the expenses of the Ontario Hospital, Woodstock, Department of Health.....	567,800.00
93. To defray the expenses of the Toronto Psychiatric Hospital, Department of Health.....	126,400.00
1. To defray the expenses of the Main Office, Department of Agriculture.....	353,407.50

2. To defray the expenses of the Statistics and Publications Branch, Department of Agriculture:.....\$	12,225.00
3. To defray the expenses of the Agricultural and Horticultural Societies Branch, Department of Agriculture.....	125,720.00
4. To defray the expenses of the Live Stock Branch, Department of Agriculture.....	73,775.00
5. To defray the expenses of the Institutes Branch, Department of Agriculture.....	70,335.00
6. To defray the expenses of the Dairy Branch, Department of Agriculture.....	128,280.00
7. To defray the expenses of the Milk Control Board, Department of Agriculture.....	49,350.00
8. To defray the expenses of the Fruit Branch, Department of Agriculture.....	95,705.00
9. To defray the expenses of the Agricultural Representatives Branch, Department of Agriculture.....	330,300.00
10. To defray the expenses of the Crops, Seeds and Weeds Branch, Department of Agriculture.....	44,488.00
11. To defray the expenses of the Co-operation and Markets Branch, Department of Agriculture.....	31,375.00
12. To defray the expenses of the Kemptville Agricultural School, Department of Agriculture.....	96,560.00
13. To defray the expenses of the Ontario Veterinary College, Department of Agriculture.....	84,258.00
14. To defray the expenses of the Western Ontario Experimental Farm, Department of Agriculture.....	29,536.00
15. To defray the expenses of the Demonstration Farm, New Liskeard, Department of Agriculture.....	13,320.00
16. To defray the expenses of the Demonstration Farm, Hearst, Department of Agriculture.....	5,800.00
17. To defray the expenses of the Northern Ontario Branch, Department of Agriculture.....	24,375.00
18. To defray the expenses of the Ontario Agricultural College, Department of Agriculture.....	807,308.00
19. To defray the expenses of the Co-operation and Markets Branch, Department of Agriculture.....	25,000.00
94. To defray the expenses of the Main Office, Department of Highways.....	401,800.00
95. To defray the expenses of the Division Offices, Department of Highways.....	420,000.00
96. To defray the expenses of the Municipal Roads Branch, Department of Highways.....	75,000.00
97. To defray the expenses of the Gasoline Tax Branch, Department of Highways.....	72,000.00
98. To defray the expenses of the Miscellaneous Permits Branch, Department of Highways.....	21,000.00
99. To defray the expenses of the Motor Vehicles Branch, Department of Highways.....	170,000.00
136. To defray the expenses of the Main Office, Department of Prime Minister.....	19,400.00
137. To defray the expenses of the Office of Executive Council, Department of Prime Minister.....	11,025.00

138.	To defray the expenses of the Travel and Publicity Bureau, Department of Prime Minister.....	\$ 300,000.00
139.	To defray the expenses of the Office of Civil Service Commissioner, Department of Prime Minister.....	11,460.00
140.	To defray the expenses of the Office of King's Printer, Department of Prime Minister.....	36,775.00
141.	To defray the expenses of the Office of Controller of Finances, Department of Prime Minister.....	11,910.00
152.	To defray the expenses of the Main Office, Department of Provincial Treasurer.....	87,640.00
153.	To defray the expenses of the Office of Budget Committee, Department of Provincial Treasurer.....	9,420.00
154.	To defray the expenses of the Motion Picture Censorship and Theatre Inspection Branch, Department of Provincial Treasurer.....	44,025.00
155.	To defray the expenses of the Controller of Revenue Branch, Department of Provincial Treasurer.....	404,460.00
156.	To defray the expenses of the Post Office, Department of Provincial Treasurer.....	148,140.00
157.	To defray the expenses of the Main Office, Department of Provincial Treasurer.....	800,000.00
142.	To defray the expenses of the Office of Provincial Auditor....	112,200.00
58.	To defray the expenses of the Main Office, Department of Game and Fisheries.....	75,100.00
59.	To defray the expenses of the Districts, Department of Game and Fisheries.....	230,500.00
60.	To defray the expenses of the Game Animals and Birds, Department of Game and Fisheries.....	25,000.00
61.	To defray the expenses of the Macdiarmid, Department of Game and Fisheries.....	3,000.00
62.	To defray the expenses of the Biological and Fish Culture Branch, Department of Game and Fisheries.....	240,000.00
63.	To defray the expenses of the Grants, Department of Game and Fisheries.....	5,400.00
64.	To defray the expenses of the Wolf Bounty, Department of Game and Fisheries.....	40,000.00
65.	To defray the expenses of the Main Office, General, Department of Game and Fisheries.....	20,000.00
143.	To defray the expenses of the Main Office, Department of Provincial Secretary.....	57,785.00
144.	To defray the expenses of the Registrar-General's Branch, Department of Provincial Secretary.....	80,265.00
145.	To defray the expenses of the Main Office, Reformatories and Prisons Branch, Department of Provincial Secretary.....	172,500.00
146.	To defray the expenses of the Board of Parole, Department of Provincial Secretary.....	17,000.00
147.	To defray the expenses of the Ontario Reformatory, Guelph, Department of Provincial Secretary.....	776,000.00
148.	To defray the expenses of the Mercer Reformatory, Toronto, Department of Provincial Secretary.....	142,000.00
149.	To defray the expenses of the Industrial Farm, Burwash, Department of Provincial Secretary.....	560,000.00

150.	To defray the expenses of the Ontario Training School for Boys, Bowmanville, Department of Provincial Secretary	\$ 154,000.00
151.	To defray the expenses of the Ontario Training School for Girls, Galt, Department of Provincial Secretary	89,000.00
101.	To defray the expenses of the Main Office, Department of Labour	71,635.00
102.	To defray the expenses of the Industry and Labour Board, Department of Labour	13,555.00
103.	To defray the expenses of the Apprenticeship Branch, Department of Labour	27,430.00
104.	To defray the expenses of the Boiler Inspection Branch, Department of Labour	32,000.00
105.	To defray the expenses of the Factory Inspection Branch, Department of Labour	10,595.00
106.	To defray the expenses of the Board of Examiners of Operating Engineers, Department of Labour	26,980.00
107.	To defray the expenses of the Employment Offices, Department of Labour	75,000.00
108.	To defray the expenses of the Minimum Wage Branch, Department of Labour	38,975.00
109.	To defray the expenses of the Composite Inspection Division Branch, Department of Labour	110,830.00
110.	To defray the expenses of the War Emergency Training Branch, Department of Labour	400,000.00
111.	To defray the expenses of the Ontario Government Employment Offices, Department of Labour	35,000.00
158.	To defray the expenses of the Main Office, Department of Public Welfare	219,975.00
159.	To defray the expenses of the Children's Aid Branch, Department of Public Welfare	188,200.00
160.	To defray the expenses of the Mothers' Allowances Commission, Department of Public Welfare	4,660,650.00
161.	To defray the expenses of the Old Age Pensions Commission, Department of Public Welfare	3,564,000.00
162.	To defray the expenses of the Old Age Pensions Commission Branches, Department of Public Welfare	10,291,500.00
129.	To defray the expenses of the Main Office, Department of Mines	280,525.00
130.	To defray the expenses of the Gas and Oil Well Inspector's Branch, Department of Mines	10,000.00
131.	To defray the expenses of the Sulphur Fumes Arbitrator, Department of Mines	5,000.00
132.	To defray the expenses of the Temiskaming Testing Laboratories, Department of Mines	24,750.00
133.	To defray the expenses of the Offices of Mining Recorders, Department of Mines	39,000.00

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to several Resolutions; also, That the Committee had directed him to ask for leave to sit again.

Ordered, That the Report be received to-morrow.

Resolved, That the Committee have leave to sit again to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Return to an Order of the House dated April 7th, 1941, That there be laid before the House a Return showing: 1. What is the total cost of the addition to the Hydro-Electric Power Commission Head Office since 1937: (a) Building; (b) Furniture and furnishings; (c) Equipment and accessories (1) to date, (2) estimated to complete. 2. Was the expenditure approved by the (a) Hydro-Electric Power Commission; (b) By the Ontario Government—and what date. 3. Were tenders called. If so, what tenders were received. 4. When was the addition started. 5. What was the cost of the new Hydro-Electric Power Commission building to the end of 1937, contracted for in 1934 or 1935. (*Sessional Papers No. 56.*)

Also, Annual Report of the Game and Fisheries Department, Ontario, for year ending March 31st, 1940. (*Sessional Papers No. 9.*)

The House then adjourned at 11.20 p.m.

TUESDAY, APRIL 8TH, 1941

PRAYERS.

3 O'CLOCK P.M.

The following Bill was introduced and read the first time:—

Bill (No. 97), intituled, "An Act for Raising Money on the Credit of the Consolidated Revenue Fund." *Mr. Hepburn* (Elgin).

Ordered, That the Bill be read the second time to-morrow.

Mr. Drew asked the following Question (No. 70):—

1. What were the total expenses to the Province of Ontario for the attendance at the Dominion-Provincial Conference in Ottawa of cabinet ministers and all others accompanying the delegation. 2. (a) Were any fees or expenses paid in connection with the Conference other than to members of the Government and Government officials; (b) If so, give names of persons and amounts.

The Honourable the Prime Minister replied as follows:—

1. \$535.40 for Departmental Officials; no bills rendered by Cabinet Ministers.
2. Nothing paid to date; no bills rendered.

Mr. Stewart asked the following Question (No. 140):—

1. What was the gallonage and sales value of beer sales for the year ending

March 31st, 1940. 2. State the gallonage and value of beer sold through: (a) Authority holders; (b) All other sources, giving details; (c) Total sales.

The Honourable the Prime Minister replied as follows:—

1. 27,350,306 gallons; \$29,439,979.95 value. 2. (a) 18,386,797 gallons, \$16,612,456.80 value; (b) 8,963,509 gallons, \$12,827,523.15 value; (c) Answered by Number 1.

Mr. Macaulay asked the following Question (No. 154):—

1. What mileage of the highway from North Bay to Sault Ste. Marie is paved. 2. What amounts were spent on the North Bay to Sault Ste. Marie highway in each of the fiscal years 1937, 1938, 1939 and 1940 and for the period April 1st, 1940, to December 31st, 1940, indicating in each case: (a) Capital expenditures; (b) Ordinary expenditures. 3. Give location and lengths of various mileages paved.

The Honourable the Minister of Highways replied as follows:—

1. 77.23 miles.

	(a)	(b)
2. Year ending March 31st, 1937.....	\$ 417,739.88	\$ 57,717.71
Year ending March 31st, 1938.....	2,853,162.24	252,644.30
Year ending March 31st, 1939.....	3,091,084.20	289,036.31
Year ending March 31st, 1940.....	1,729,243.12	269,411.39
April 1st to December 31st, 1940.....	559,207.74	289,217.34
3. North Bay, Westerly.....	Gravel Mulch	2.50
Suturgeon Falls, Easterly.....	Concrete	10.20
Wahnapiatae, Easterly.....	Concrete	7.90
Sudbury, Easterly.....	Concrete	6.50
Sudbury, Westerly.....	Retread	12.20
Spanish, East and West.....	Concrete	7.00
Blind River, Easterly.....	Concrete	5.04
Blind River, Westerly.....	Concrete	4.08
Sault Ste. Marie, Easterly.....	Retread	.62
From 0.62 miles East of Sault Ste. Marie, Easterly..	Concrete	21.19

Mr. Stewart asked the following Question (No. 163):—

1. Where were the motor car markers for 1939 and 1940 produced. 2. How many were manufactured in each of the years mentioned in (1), specifying the different types. 3. What was the manufacturing cost of single plates, sets of two plates and sets of three plates respectively. 4. What was the selling price to the Department of Highways in each of the cases mentioned in (3). 5. If manufactured at the Ontario Reformatory, Guelph, what was the number of paid help employed and in connection with such paid help state: (a) Name of employee; (b) Home address of employee; (c) Category of each employee; (d) Wage rate of each employee and total amount paid each in each of the years

mentioned in (1). 6. Who, if anyone, was employed to give general oversight and direction respecting manufacturing operations, what was his home address and what were the general terms and conditions as to his services and remuneration therefor.

The Honourable the Minister of Highways replied as follows:—

1. The Ontario Reformatory, Guelph.

	1939	1940
Passenger Plates.....	622,017 pairs	602,019 pairs
Commercial Plates.....	90,000 pairs	90,000 pairs
Trailer Plates.....	50,000 only	50,000 only
Two Purpose Plates.....	3,500 pairs	3,000 pairs
Doctor's Plates.....	6,000 pairs	6,000 pairs
Motor "Dealers" Plates.....	1,700 pairs	1,700 pairs
Motor Cycle Plates.....	6,500 sets of 3	6,500 sets of 3
Public Vehicle Plates.....	900 pairs	900 pairs
School Vehicle Plates.....	150 pairs	150 pairs
Sample Plates.....	100 only	100 only
Public Commercial Vehicle.....	9,150 only	8,850 only

	1939 (cents)	1940 (cents)
Passenger Plates.....	.079145 per pair	.076754 per pair
Commercial Plates.....	.099129 per pair	.086267 per pair
Trailer Plates.....	.048243 only	.043924 only
Two Purpose Plates.....	.074191 per pair	.075423 per pair
Doctor's Plates.....	.075623 per pair	.077043 per pair
Motor Dealer's Plates.....	.071494 per pair	.072976 per pair
Motor Cycle Plates.....	.058325 per set of 3	.060598 per set of 3
Motor Cycle Dealers.....	.084800 per set of 3	.076000 per set of 3
Public Commercial Vehicles...	.029614 only	.029938 only
Public Vehicle.....	.039378 per pair	.041500 per pair
School Vehicle.....	.041400 per pair	.041733 per pair
Sample Plates.....	.041200 only	.046700 only

4. The price charged to the Department of Highways for the manufacture of license plates for the years 1939 and 1940 was eight and one-half cents per pair for all types of plates.

5. Four. (a) Of the four, Mr. J. Whiteside only is employed by the Ontario Reformatory, Guelph. Names of other three not known; (b) Home address of Mr. Whitesides is 18 Boulton Avenue, Guelph. Addresses of other three not known; (c) Mr. Whiteside employed as Guard in charge of prisoners, and to supervise release and shipment of all license plates authorized by the Department of Highways, Ontario. The remaining three men consisted of one supervisor, one pressman and one packer; (d) Salary of Mr. Whiteside was \$1,500.00 per annum. Wage rates and amounts paid to the other three not known.

6. The St. Thomas Metal Signs Limited, and Frederick Sutherland (home address, St. Thomas, Ontario). General terms and condition of services were as follows: (1) Direction and supervision of production of license plates in accord-

ance with the specifications of the Department of Highways, Ontario; (2) The maintenance of the Motor Marker Plant at the Ontario Reformatory, Guelph, in good running order and the provision of all dies used in the production of license plates; (3) The provision and payment of wages of all the necessary skilled labour used in the production of license plates. Remuneration paid for above services for 1939 and 1940 markers was one and three-quarter cents per pair for all types of license plates.

Mr. Challies asked the following Question (No. 164):—

1. For the years 1933, 1934, 1936, 1937, 1938 and 1939: (a) How many persons were sentenced to prison in the Province; (b) What was the average per capita cost per diem, for the maintenance of inmates in Ontario Reformatories and Industrial Farms; (c) What was the total number of days' stay of inmates in the Ontario Reformatories and Industrial Farms.

The Honourable the Provincial Secretary replied as follows:—

1. (a) 1933.....	14,538
1934.....	13,509
1936.....	16,356
1937.....	20,618
1938.....	23,649
1939.....	27,926
(b) 1933.....	\$.9049
1934.....	1.1169
1936.....	1.1613
1937.....	1.2529
1938.....	1.5820
1939.....	1.3503
(c) 1933.....	615,719
1934.....	537,658
1936.....	475,902
1937.....	529,714
1938.....	533,314
1939.....	597,309

Mr. Downer asked the following Question (No. 165):—

1. Upon what date was the beer authority to the Dopolovora Society, located in the Casa d'Italia, Barton Street East, Hamilton, granted. 2. What person or persons recommended that the said authority be granted. 3. Who were the members of said Society at time authority was granted. 4. Upon what date was this authority withdrawn. 5. For what reason or reasons was it withdrawn.

The Honourable the Prime Minister replied as follows:—

1. 30th January, 1940. 2. Application of the Organization considered on its merits, and Authority granted by the Board. 3. See list below. 4. 25th June, 1940. 5. Organization banned by amendment to Defence of Canada Regulations.

HAMILTON DOPOLAVORO SOCIETY

644-646 Barton St. E., Hamilton, Ont.

CERTIFIED LIST OF MEMBERS AS OF MARCH 6TH, 1940

Alboini, V.	De Rubeis, F.	Lo Cicero, V.
Andreatta, A.	Di Bernardo, F.	Malisani, G.
Baffi, G.	Di Cenzo, E.	Mancini, P.
Bartolini, A.	Di Cenzo, F.	Maragno, C.
Bartolini, S.	DiCenzo, M.	Marangoni, G.
Bergamaschi, N.	Di Filippo, D.	Marcogliese, A.
Berti, S.	Di Filippo, L.	Pari, T.
Bin, M.	Di Gennaro, L.	Marinelli, D.
Bianco, A.	D'Iorio, P.	Marini, C.
Borrillo, A.	Di Medio, T.	Martini, S.
Borrillo, D.	Distefan, P.	Martini, A.
Bracci, P.	Di Stefano, A.	Mascia, L.
Bucci, A.	Emili, G.	Masi, F.
Campanaro, M.	Emili, N.	Masi, N.
Cantelmo, P.	Faiella, R.	Mastrodicasa, A.
Capponi, G.	Fazio, M.	Mataloni, G.
Celeste, C.	Ferrara, F.	Mauro, A.
Celeste, M.	Ferri, P.	Mondolo, A.
Cianciolo, L.	Finocchio, M.	Montemurri, F.
Ciavarella, M.	Fioravante, D.	Montesanto, G.
Ciavarro, A.	Fratesi, A.	Montesanto, V.
Colamartini, I.	Friscolanti, L.	Mostacci, P.
Colangelo, B.	Galanti, S.	Nervino, R.
Colangelo, U.	Galassi, G.	Nusca, E.
Corsini, D.	Galassi, R.	Olivieri, A.
Corsini, R.	Galasso, R.	Olivieri, A.
Corrado, N.	Gattafoni, L.	Olivieri, D.
Corso, G.	Ghilardi, A.	Olivieri, P.
Crustolo, M.	Giacinti, G.	Paglari, L.
Cupido, G.	Giacinti, S.	Pantalone, A.
D'Alessandro, G.	Genovesi, M.	Paolone, A.
D'Ambrosio, C.	Giacomelli, O.	Paolone, P.
D'Amore, F.	Gris, M.	Parente, (N)
D'Angelo, R.	Iacchetti, F.	Pataracchia, H.
D'Aurelio, D.	Iampietro, E.	Peroni, P.
De Conno, P.	Iampietro, M.	Piovesana, A.
Del Col, G.	Intini, D.	Quaglia, O.
Del Piero, A.	Lanza, J.	Quaglia, G.
De Rubeis, A.	Lanza, J.	Ranalli, A.
De Rubeis, F.	Lanza, L.	Ranalli, F.

Ranalli, V.	Sebastiano, R.	Tatti, V.
Rizzuto, B.	Sergi, A.	Termini, N.
Roncaioli, G.	Serravalle, E.	Troisi, S.
Saliccioli, E.	Sguigna, E.	Verticchio, E.
Saliccioli, T.	Silenzi, A.	Villani, N.
Sanguiro, E.	Spallacci, N.	Viola, A.
Santarelli, E.	Spallacci, S.	Viola, F.
Savelli, D.	Spezza, A.	Zaffiro, F.
Sbranchella, T.	Susi, P.	Barrese, H.
Sebastiani, P.	Tatti, G.	

Certified correct,

(Signed) A. DEL PIERO,
Secretary-Treasurer.

Hamilton, March 6th, 1940.

Mr. Downer asked the following Question (No. 166):—

1. Upon what date was the beer authority to the Italo-Canadian Club, Bay Street, Hamilton, granted. 2. What person or persons recommended that the said authority be granted. 3. Who were the members of said Society at time authority was granted. 4. Upon what date was this authority withdrawn. 5. For what reason or reasons was it withdrawn.

The Honourable the Prime Minister replied as follows:—

1. 1st April, 1940. 2. Application of the Organization considered on its merits, and Authority granted by the Board. 3. See list below. 4. 31st March, 1941. 5. On recommendation of the Inspection Department of the Board.

LIST OF SOME OF THE MEMBERS OF HAMILTON ITALIZAN RECREATION CLUB

Agro, Sam	Cappelli, John	D'Aurelia, Dominic
Agro, Dr. V.	Castiglione, A.	Deluca, John
Agro, Carmen	Comiglio, R.	Deluca, Aldo
Agro, Sam	Castellani, J.	Figliola, Joseph
Arnone, Edward	Campanella, N.	Figliola, Charles
Arnone, Charles	Campanella, Salvatore	Florio, Manfredo
Belluzzi, John	Campanella, John	Florio, Rudolph
Belluzzi, Ugo	Cappelli, Anthony	Iacone, A.
Bartollotta, Joe	Chiodo, Peter	Ingrassia, Frank
Borsellino, Joe	Chrecoli, Charles	Ingrassia, Jerry
Basilio, John	Chiarelli, T.	Nardella, L.
Borsellino, C.	Ciaravella, A.	Pitirri, Felice
Borsellino, Nick	Cicero, Charles	Rallo, Joe
Borsellino, Ed	Cicero, Samuel	Restivo, Joe
Borsellino, S.	Curto, P.	Re, Anthony
Bartollotta, C.	Curto, Sam	Sardo, Angelo
Bartollotta, S.	Curto, Angelo	Sardo, B.
Barone, Vincenzo	Curto, Joe	Scime, Edward
Capobianco, L.	Curto, John	Scime, Samuel

Speziale, V.
Speziale, P.
Tazzeo, James

Unelli, Angelo
Unelli, A.
Valvasori, E.

Zamprogna, M.
Zamprogna, Hugo

Mr. Downer asked the following Question (No. 167):—

1. Who are the members of the staff of the Dufferin County Gaol at Orangeville. 2. What are their respective titles, dates of appointment and salaries. 3. Who recommended their respective appointments to the Sheriff of Dufferin County, to the Provincial Secretary or to any member of the Government. 4. From April 1st, 1939, to December 31st, 1940, how many prisoners have escaped from the Orangeville Gaol. 5. From April 1st, 1939, to December 31st, 1940, have any members of the staff at Orangeville Gaol been dismissed or requested to resign and if so who were they and why were their services dispensed with. 6. Have any disciplinary measures been taken with respect to the present staff at Orangeville Gaol in relation to the escape of prisoners and, if so, give particulars. 7. Have any steps been taken by the Government with a view to merging the Orangeville Gaol with the Peel County Gaol at Brampton and, if so, specify.

The Honourable the Provincial Secretary replied as follows:—

1. H. A. Coutts, R. N. Crowe, Mrs. H. A. Coutts, Dr. W. H. Leach. 2. Gaoler—Appointed December 28th, 1939, effective January 6th, 1940, salary \$1,200.00; Turnkey—Appointed December 28th, 1939, effective January 15th, 1940, salary \$1,000.00; Matron—Appointed December 28th, 1939, effective January 15th, 1940, salary \$300.00; Surgeon—Appointed June 24th, 1935, salary \$125.00. 3. Recommended and appointed by the Sheriff and approved by the Lieutenant-Governor in Council, on the recommendation of the Provincial Secretary. 4. Two—September 28th, 1939, and April 16th, 1940. 5. Yes. W. C. Barber, Gaoler, Mrs. W. C. Barber, Matron, and Mr. W. R. Campbell, Turnkey. Services unsatisfactory. 6. Yes. A special investigation was conducted by a departmental Inspector into the circumstances surrounding the escape of April 16th, 1940. Mr. Coutts, the Gaoler, and Mr. Crowe, the Turnkey, were reprimanded and warned. 7. No.

Mr. Downer asked the following Question (No. 115):—

1. What payments have been made by the Federal Government to the Province in each fiscal year from 1930 to 1940 and for the period April 1st, 1940, to January 31st, 1941, for (a) Aid with respect to direct relief; (b) Aid with respect to relief works. 2. For each of the periods mentioned in (1), what is the total amount of payments made by the Province to municipalities for: (a) Direct relief; (b) Aid in respect of relief works. 3. For each of the periods mentioned in (1), what expenditure has been made by the Province in respect to relief in territory without municipal organization specifying: (a) Amounts paid for direct relief; (b) Amount paid in respect to relief works.

The Honourable the Minister of Welfare replied as follows:—

DEPARTMENT OF HIGHWAYS

1. (a) Nil.

(b) 1931-32.....	\$ 400,000.00
1932-33.....	1,209.11
1933-34.....	Nil
1934-35.....	286,148.57
1935-36.....	528,834.12
1936-37.....	2,459,727.80
1937-38.....	1,390,595.74
1938-39.....	1,877,032.43
1939-40.....	1,796,913.03
April 1st, 1940, to January 31st, 1941.....	81,952.02

2. (a) Nil; (b) Nil. 3. (a) Nil; (b) Unemployment Relief Act: Net expenditure on secondary and development roads in Northern Ontario—

1937-38.....	\$5,252,160.47
1938-39.....	4,485,627.91

DEPARTMENT OF NORTHERN DEVELOPMENT

1. (a) Nil.

(b) 1930-31.....	See Department of Labour
1931-32.....	" " " "
1932-33.....	" " " "
1933-34.....	\$1,992,101.54
1934-35.....	Nil
1935-36.....	4,274,746.86
1936-37.....	3,860,006.30

2. (a) Nil; (b) Nil. 3. (a) Nil; (b) Unemployment Relief Act: Net expenditure on roads in Northern Ontario—

1930-31.....	\$ 382,520.31
	(See also Department of Labour)
1931-32.....	See Department of Labour
1932-33.....	See Department of Labour
1933-34.....	\$18,351,770.29
1934-35.....	8,736,266.74
1935-36.....	8,807,779.62
1936-37.....	2,456,994.33

1.	Direct Relief	Relief Works	
	(a)	(b)	
1929-30.....	Nil	Nil	Department of Labour
1930-31.....	\$ 782,763.63	\$ 3,850,000.00	" " "
1931-32.....	3,908,348.53	7,917,992.87	" " "
1932-33.....	9,766,409.39	348,244.93	" " "
1933-34.....	10,799,822.49	752,678.88	Dept. of Public Welfare
1934-35.....	3,309,036.29	95,617.78	" " " "
1935-36.....	9,042,206.08	120,296.64	" " " "
1936-37.....	9,932,640.01	776.89	" " " "
1937-38.....	6,054,000.00	.....	" " " "
1938-39.....	5,608,640.53	.....	" " " "
1939-40.....	7,462,693.55	.....	" " " "
1940—Jan. 31, 1941.	2,271,050.37	.....	" " " "

2.	Direct Relief Gross	Relief Works Gross	
	(a)	(b)	
1929-30.....	\$ 24,218.91	Nil	Department of Labour
1930-31.....	1,563,988.47	5,635,636.28	" " "
1931-32.....	3,749,392.67	3,032,081.09	" " "
1932-33.....	18,808,524.55	108,890.13	" " "
1933-34.....	25,423,754.97	2,962,991.46	Dept. of Public Welfare
1934-35.....	10,338,076.99	652,792.14	" " " "
1935-36.....	29,190,374.22	368,160.70	" " " "
1936-37.....	21,382,910.74	13,410.08	" " " "
1937-38.....	15,232,087.16	54,000.00	" " " "
1938-39.....	14,955,467.94	27,026.94	" " " "
1939-40.....	15,755,642.62	452.51	" " " "
1940—Jan. 31, 1941.	6,270,891.27	.....	" " " "

3.	Direct Relief Gross	Relief Works Gross	
	(a)	(b)	
1929-30.....	Nil	Nil	Department of Labour
1930-31.....	\$ 75.56	\$ 2,102,500.00	" " "
1931-32.....	175,294.68	11,949,724.43	" " "
1932-33.....	2,111,802.90	4,225,628.53	" " "
1933-34.....	2,024,246.79	.....	Dept. of Public Welfare
1934-35.....	466,272.30	.....	" " " "
1935-36.....	1,693,217.10	.....	" " " "
1936-37.....	1,600,141.81	.....	" " " "
1937-38.....	528,991.02	.....	" " " "
1938-39.....	541,676.93	.....	" " " "
1939-40.....	545,911.24	.....	" " " "
1940—Jan. 31, 1941.	245,631.33	.....	" " " "

Mr. Doucett asked the following Question (No. 160):—

1. How many automobiles were owned by the Government on December 31st, 1940. 2. How many trucks were owned by the Government on December 31st, 1940. 3. Specify the number of automobiles owned by and attached to each department or board or commission of the Government on December 31st, 1940—the Hydro-Electric Power Commission of Ontario excepted.

The Honourable the Minister of Highways replied as follows:—

1. See answer to 3. 2. 484. 3. Department of Education, Nil; Department of Lands and Forests, 6; Department of Mines, 5; Department of Labour, Nil; Department of Treasury, Nil; Department of Prime Minister, Nil; Department of Provincial Secretary, 3; Department of Game and Fisheries, 3; Department of Health, 25; Department of Highways, 3; Department of Agriculture, 65; Department of Public Works, Nil; Department of Attorney General, 67; T. & N.O. Railway Commission, Nil; Niagara Parks Commission, 2; Liquor Control Board, Nil; Workmen's Compensation Board, Nil.

Mr. Downer asked the following Question (No. 168):—

1. What relief payments were made to Township of King in 1940 and 1941. 2. Were any payments, direct or indirect, made to any organization or corporation in the Township of King in the way of assistance to families placed on land in 1940 and 1941.

The Honourable the Minister of Welfare replied as follows:—

1. 1940, \$1,357.96; 1941, \$348.39. 2. No.

In respect to Question (No. 141) regarding Legislative Grants to Elementary and Secondary Schools the Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Stewart, seconded by Mr. Arnott, it was

Ordered, That there be laid before this House a Return showing: 1. Please give the amounts of legislative grants paid to Elementary and Secondary Schools in each of the Government's fiscal years for the period 1934 to 1940 inclusive, under the following classifications: Elementary—Public, Separate; Secondary—Continuation, High, Vocational, Collegiate. 2. How are the grants determined. 3. On what basis are the grants computed. 4. Have any grants, other than scheduled grants, been made to either public or separate schools. If so, when and what amount.

The Order of the Day for the second reading of Bill (No. 94), An Act to amend The Fatal Accidents Act, having been read,

And the Motion having been put, was declared to be lost.

The Order of the Day for the second reading of Bill (No. 95), An Act to amend The Insurance Act, having been read,

Ordered, That the Order be discharged, and that the Bill be withdrawn.

The Order of the Day for resuming the Adjourned Debate on the Motion for the second reading of Bill (No. 68), An Act to amend The Jurors Act, having been read,

The Debate was resumed,

And after some time it was on the motion of Mr. Hepburn (Elgin),

Ordered, That the Debate be adjourned.

The Order of the Day for the second reading of Bill (No. 65), An Act to provide the Suspension of Grand Juries during the Present War, having been read,

The Hon. Mr. Conant moved,

That the Order be discharged, and that the Bill be withdrawn.

The Motion having been put failed for lack of a unanimous vote.

The following Bill was read the second time:—

Bill (No. 96), An Act respecting a certain Bond Mortgage made by the Abitibi Power and Paper Company Limited to the Montreal Trust Company.

Referred to a Committee of the Whole House to-day.

The following Bills were read the third time and were passed:—

Bill (No. 16), An Act respecting the Roman Catholic Separate Schools for the City of Toronto.

Bill (No. 80), An Act to amend The Division Courts Act.

Bill (No. 84), An Act to amend The Public Service Act.

Bill (No. 83), An Act to amend The Cemetery Act.

Bill (No. 85), An Act to amend The Highway Traffic Act.

Bill (No. 86), An Act to amend The Beach Protection Act.

Bill (No. 87), An Act to amend The Ontario Municipal Board Act.

Bill (No. 89), An Act to amend The Local Improvement Act.

Bill (No. 88), An Act to amend The Surveys Act.

Bill (No. 81), An Act to amend The Temiskaming and Northern Ontario Railway Act.

Bill (No. 55), An Act respecting the Rainbow Bridge.

Bill (No. 76), An Act to amend The Milk Control Act.

Bill (No. 74), An Act to amend The Corporations Tax Act, 1939.

The House resolved itself into a Committee to consider Bill (No. 90), The Statute Law Amendment Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report progress, and directed him to ask for leave to sit again.

Resolved, That the Committee have leave to sit again to-morrow.

The House resolved itself into a Committee to consider Bill (No. 54), An Act respecting the subsidizing of Cheese and Hogs produced in Ontario, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 82), An Act to amend The Securities Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 91), An Act to amend The Department of Municipal Affairs Act, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 92), The Municipal Amendment Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 93), The Assessment Amendment Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had Directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-morrow.

The House resolved itself into a Committee to consider Bill (No. 96), An Act respecting a certain Bond Mortgage made by the Abitibi Power and Paper Company Limited to the Montreal Trust Company, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-morrow.

The House, according to Order, again resolved itself into the Committee of Supply.

(In the Committee)

Resolved, That there be granted to His Majesty, for the services of the fiscal year ending March 31st, 1942, the following sums:—

34. To defray the expenses of the Main Office, Department of Education.....	\$ 77,600.00
35. To defray the expenses of the Legislative Library, Department of Education.....	16,750.00
36. To defray the expenses of the Public Records and Archives, Department of Education.....	5,200.00
37. To defray the expenses of the Public and Separate School Education Branch, Department of Education.....	5,721,400.00
38. To defray the expenses of the Inspection of Schools Branch, Department of Education.....	546,600.00
39. To defray the expenses of the Departmental Examinations Branch, Department of Education.....	222,100.00
40. To defray the expenses of the Text-Books Branch, Department of Education.....	67,500.00

41. To defray the expenses of the Training Schools Branch, Department of Education.....	\$ 104,450.00
42. To defray the expenses of the Toronto Normal and Model Schools, Department of Education.....	129,725.00
43. To defray the expenses of the Ottawa Normal School, Department of Education.....	44,550.00
44. To defray the expenses of the London Normal School, Department of Education.....	43,050.00
45. To defray the expenses of the Hamilton Normal School, Department of Education.....	43,650.00
46. To defray the expenses of the Peterborough Normal School, Department of Education.....	36,680.00
47. To defray the expenses of the Stratford Normal School, Department of Education.....	34,400.00
48. To defray the expenses of the North Bay Normal School, Department of Education.....	38,550.00
49. To defray the expenses of the University of Ottawa Normal School, Department of Education.....	81,450.00
50. To defray the expenses of the High Schools and Collegiate Institutes Branch, Department of Education.....	890,500.00
51. To defray the expenses of the Public Libraries Branch, Department of Education.....	106,700.00
52. To defray the expenses of the Vocational Education Branch, Department of Education.....	1,858,450.00
53. To defray the expenses of the Ontario Training College for Technical Teachers, Department of Education.....	27,500.00
54. To defray the expenses of the Superannuated Teachers, Department of Education.....	8,800.00
55. To defray the expenses of the Provincial and other Universities, Department of Education.....	1,836,000.00
56. To defray the expenses of the Ontario School for the Deaf, Belleville, Department of Education.....	161,925.00
57. To defray the expenses of the Ontario School for the Blind, Brantford, Department of Education.....	94,100.00
134. To defray the expenses of the Main Office, Department of Municipal Affairs.....	63,655.00
135. To defray the expenses of the Ontario Municipal Board, Department of Municipal Affairs.....	30,935.00
112. To defray the expenses of the Main Office, Department of Lands and Forests.....	183,300.00
113. To defray the expenses of the Agents, Department of Lands and Forests.....	28,000.00
114. To defray the expenses of the Rondeau Provincial Park, Department of Lands and Forests.....	16,375.00
115. To defray the expenses of the Ipperwash Beach Provincial Park, Department of Lands and Forests.....	4,000.00
116. To defray the expenses of the Forests Branch, Department of Lands and Forests.....	85,000.00
117. To defray the expenses of the Forests Service, Department of Lands and Forests.....	1,600,000.00
118. To defray the expenses of the Air Service, Department of Lands and Forests.....	263,000.00

119.	To defray the expenses of the Radio Service, Department of Lands and Forests.....	\$ 45,000.00
120.	To defray the expenses of the Woodmen's Employment Act, Department of Lands and Forests.....	8,500.00
121.	To defray the expenses of the Clearing Townsites and Removal of Fire Hazards, Department of Lands and Forests.....	20,000.00
122.	To defray the expenses of the Insect Control and Tree Diseases, Department of Lands and Forests.....	17,000.00
123.	To defray the expenses of the Main Office, Surveys, etc., Department of Lands and Forests.....	55,000.00
124.	To defray the expenses of the Forests Service, Department of Lands and Forests.....	320,000.00
20.	To defray the expenses of the Main Office, Department of Attorney-General.....	76,200.00
21.	To defray the expenses of the Supreme Court, Department of Attorney-General.....	85,175.00
22.	To defray the expenses of the Shorthand Reporters, Department of Attorney-General.....	33,050.00
23.	To defray the expenses of the Toronto and York Crown Attorney's Office, Department of Attorney-General.....	27,500.00
24.	To defray the expenses of the Land Titles Office, Department of Attorney-General.....	25,300.00
25.	To defray the expenses of the Drainage Referees, Department of Attorney-General.....	2,550.00
26.	To defray the expenses of the Criminal Justice Accounts, Department of Attorney-General.....	986,200.00
27.	To defray the expenses of the Public Trustee's Office, Department of Attorney-General.....	67,750.00
28.	To defray the expenses of the Official Guardian's Office, Department of Attorney-General.....	34,950.00
29.	To defray the expenses of the Accountant's Office, Supreme Court of Ontario, Department of Attorney-General.....	21,970.00
30.	To defray the expenses of the Fire Marshal's Office, Department of Attorney-General.....	59,700.00
31.	To defray the expenses of the Inspector of Legal Offices, Department of Attorney-General.....	81,050.00
32.	To defray the expenses of the Law Enforcement Branch (Provincial Police), Department of Attorney-General.....	1,365,200.00
33.	To defray the expenses of the Ontario Securities Commission, Department of Attorney-General.....	63,000.00
100.	To defray the expenses of the Main Office, Department of Insurance.....	62,425.00
163.	To defray the expenses of the Main Office, Department of Public Works.....	79,100.00
164.	To defray the expenses of the General Superintendence, Department of Public Works.....	19,500.00
165.	To defray the expenses of the Lieutenant-Governor's Apartment, Department of Public Works.....	4,600.00
166.	To defray the expenses of the Legislative and Departmental Buildings, Department of Public Works.....	411,400.00
167.	To defray the expenses of the Osgoode Hall, Department of Public Works.....	37,000.00

168. To defray the expenses of the Educational Buildings, Department of Public Works.....	\$ 10,600.00
169. To defray the expenses of the Agricultural Buildings, Department of Public Works.....	10,700.00
170. To defray the expenses of the Training Schools, Department of Public Works.....	2,200.00
171. To defray the expenses of the District Buildings, Department of Public Works.....	12,625.00
172. To defray the expenses of the Ontario Hospitals, Department of Public Works.....	50,000.00
173. To defray the expenses of the Ontario Reformatories, Department of Public Works.....	475.00
174. To defray the expenses of the Public Works, Department of Public Works.....	15,000.00
175. To defray the expenses of the Ontario Government Office Building, Kingston, Department of Public Works.....	3,800.00
176. To defray the expenses of the Ontario Hospitals, Department of Public Works.....	15,000.00
177. To defray the expenses of the Reformatories, Department of Public Works.....	10,000.00
178. To defray the expenses of the District Buildings, Department of Public Works.....	1,000.00
179. To defray the expenses of the Fish Hatcheries, Department of Public Works.....	5,000.00
180. To defray the expenses of the Public Works, Department of Public Works.....	261,000.00
181. To defray the expenses of the Miscellaneous.....	104,400.00
125. To defray the expenses of the Office of the Speaker, Department of Legislation.....	254,525.00
126. To defray the expenses of the Office of the Law Clerk, Department of Legislation.....	13,125.00
127. To defray the expenses of the Office of Crown-in-Chancery, Department of Legislation.....	4,800.00

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to several Resolutions.

Ordered, That the Report be received to-morrow.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Return to an Order of the House dated April 8th, 1941, That there be laid before the House a Return showing: 1. Please give the amounts of legislative grants paid to Elementary and Secondary Schools in each of the Government's fiscal years for the period 1934 to 1940 inclusive, under the following classifications: Elementary—Public, Separate; Secondary—Continuation, High, Vocational, Collegiate. 2. How are the grants determined. 3. On what basis are the grants computed. 4. Have any grants, other than scheduled grants, been made to either public or separate schools. If so, when and what amount. (*Sessional Papers No. 57.*)

Mr. Cooper, from the Select Committee appointed to inquire into the administration of the Department of Lands and Forests, presented their Report and recommended that it be printed as an appendix to the Journals of the House which recommendation was concurred in as follows:—

Your Select Committee appointed on April 27th, 1939, to inquire into the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests begs leave to report that it has completed its deliberations and herewith presents its report which contains the views and recommendations of a majority of the Committee and also the views and recommendations of a minority of the Committee, and recommends that the report be printed as an appendix to the Journals of the House.

The House then adjourned at 10.50 p.m.

WEDNESDAY, APRIL 9TH, 1941

PRAYERS.

3 O'CLOCK P.M.

Mr. Kennedy asked the following Question (No. 56):—

1. What contracts have been let in relation to construction on the Trans-Canada Highway since November 1st, 1940, specifying: (a) Name of contractor; (b) Mileage and location in relation to each contract; (c) Work covered by each contract; (d) Unit prices and estimated or actual total costs respecting each contract.

The Honourable the Minister of Highways replied as follows:—

1. (a) Malvern Construction Co., Limited; (b) Bridge over Batchewana River in Township of Fisher between Sault Ste. Marie and Montreal River; (c) Construction of substructure and floor of Batchewana Bridge; (d) Unit Prices:

1. Clearing.....	\$75.00 per acre
2. Grubbing and close cutting.....	75.00 per acre
3. Earth excavation, grading.....	.50 per cu. yd.
4. Rock excavation, grading.....	2.00 per cu. yd.
5. Placing 24" C.I. pipe.....	.50 per lin. ft.
6. Placing 18" C.I. pipe.....	.40 per lin. ft.
7. Excavation from caissons.....	.50 per cu. yd.
8. Concrete in caissons.....	4.00 per cu. yd.
9. Concrete in substructure.....	10.00 per cu. yd.
10. Concrete in superstructure.....	14.00 per cu. yd.
11. Concrete in handrail posts.....	14.00 per cu. yd.
12. Placing reinforcing steel.....	12.50 per ton
13. Erect and paint steel handrail.....	.20 per lin. ft.
14. Sheet piling driven.....	.30 per lin. ft.
15. Removal of existing structure.....	500.00 lump sum
16. Supply and place crushed gravel surfacing.....	1.50 per cu. yd.

Estimated total cost of Contract:

Contract Tender.....	\$15,844.50
Department Materials.....	29,121.20
Department Engineering.....	2,600.00
Department Sundry Construction.....	947.50
	<hr/> \$48,513.20

Mr. Stewart asked the following Question (No. 92):—

1. What was the gross debt of the Municipalities in the Province of Ontario when the present Government took office, using the nearest date for which consolidated figures are available. 2. What is the gross debt of the Municipalities in the Province of Ontario at the present time, using the latest date for which consolidated figures are available. 3. What was the gross debt of the Province of Ontario when the present Government took office, using nearest date for which consolidated figures are available. 4. What is the gross debt of the Province of Ontario at the present time, using latest date for which consolidated figures are available.

The Honourable the Prime Minister and Provincial Treasurer replied as follows:—

	Total Debt (Less Sinking Fund)
1. As at December 31st, 1934.....	\$427,323,899
2. As at December 31st, 1939.....	324,878,331
	Gross Debt
	(Less Sinking Fund)
3. As at October 31st, 1934.....	\$655,760,852
4. As at March 31st, 1940.....	737,077,996

Mr. Elgie asked the following Questions (Nos. 111 and 114):—

1. For the fiscal years ending- October 31st, 1934, March 31st, 1935 (5 months), March 31st, 1936, March 31st, 1937, March 31st, 1938, March 31st, 1939, March 31st, 1940, and for the 10 months' period April 1st, 1940, to January 31st, 1941: (a) What was the gallonage of beer, ale and allied products sold by breweries and brewery warehouses for resale in standard hotels holding authorities to sell beer or beer and wine; (b) What was the wholesale price to authority holders of the beer, ale and allied products mentioned in (a); (c) What was the gallonage of native wine sold for resale in standard hotels holding authorities to sell beer and wine; (d) What was the wholesale price to authority holders in standard hotels of the wine referred to in (c); (e) What was the quantity and value of beers, ales and allied products sold by the Liquor Control Board of Ontario to standard hotels holding authorities for the sale of beer or beer and wine; (f) What was the quantity and value of imported or foreign wine sold by the Liquor Control Board of Ontario to standard hotels holding authorities for the sale of beer and wine.

1. With respect to each of the following classes of authority holder under the Liquor Control Board of Ontario, viz.: Social Clubs; Soldier and Labour Clubs; Military Messes; Railways; Steamships, and for each of the fiscal years ending October 31st, 1934, March 31st, 1935 (5 months), March 31st, 1936, March 31st, 1937; March 31st, 1938, March 31st, 1939, March 31st, 1940, and for the ten months' period April 1st, 1940, to January 31st, 1941: (a) What was the gallonage of beer, ale and allied products sold by breweries and brewery warehouses for resale; (b) What was the wholesale price of the beer, ale and allied products mentioned in (a) to the authority holders; (c) What was the gallonage of native wine sold for resale; (d) What was the wholesale cost to the authority holders of the wine referred to in (c); (e) What was the quantity and value of beers, ales and allied products sold by the Liquor Control Board of Ontario to the authority holders; (f) What was the quantity and value of imported or foreign wine sold by the Liquor Control Board of Ontario to the authority holders.

The Honourable the Prime Minister replied as follows:—

	For 12 months ending Oct. 31, 1934	For 5 months ending Mar. 31, 1935	For 12 months ending Mar. 31, 1936	For 12 months ending Mar. 31, 1937
Question 111 (a) and (e)—Gallons	*	*	12,777,568	14,239,605
Question 114 (a) and (e)—Gallons	*	*	*	*
Question 111 (b) and (e)—Value	*	*	*	*
Question 114 (b) and (e)—Value	*	*	*	*
Question 111 (c) and (f)—Gallons	*	*	*	*
Question 114 (c) and (f)—Gallons	*	*	*	*
Question 111 (d) and (f)—Value	*	*	\$116,625.27	\$132,823.44
Question 114 (d) and (f)—Value	*	*	*	*

	For 12 months ending Mar. 31, 1938	For 12 months ending Mar. 31, 1939	For 12 months ending Mar. 31, 1940	For 10 months ending Jan. 31, 1941
Question 111 (a) and (e)—Gallons	16,046,557	15,499,835	17,136,802	16,243,983
Question 114 (a) and (e)—Gallons	*	1,107,837	1,249,995	1,869,695
Question 111 (b) and (e)—Value	*	\$13,797,656.55	\$15,223,592.45	\$15,757,368.65
Question 114 (b) and (e)—Value	*	\$1,222,709.30	\$1,388,864.35	\$2,114,087.05
Question 111 (c) and (f)—Gallons	*	*	*	*
Question 114 (c) and (f)—Gallons	*	*	*	*
Question 111 (d) and (f)—Value	\$122,687.48	\$105,099.20	\$111,954.31	\$119,778.69
Question 114 (d) and (f)—Value	*	\$31,899.79	\$32,100.97	\$33,281.07

* This information is not available for these years.

NOTE:—The records of the Liquor Control Board of Ontario, while kept in a sufficiently comprehensive manner to ensure the collection of all revenue have not been maintained in such detail as will permit the submission of the information asked for under the numerous classifications.

The available statistics are submitted above and represent:—

Question No. 111 (a) and (e)—The total gallonage of beer sold to hotel authority holders during the ten months' period ending January 31st, 1941, and for the preceding five fiscal years.

Question No. 114 (a) and (e)—The total gallonage of beer sold to all other authority holders during the ten months ending January 31st, 1941, and during the two preceding fiscal years.

Question No. 111 (*b*) and (*e*)—The value of beer sold to hotel authority holders during the ten months ending January 31st, 1941, and during the two preceding fiscal years.

Question No. 114 (*b*) and (*e*)—The value of beer sold to all other authority holders during the same fiscal periods.

Question No. 111 (*d*) and (*f*)—The value of all wine sold to hotel authority holders during the ten months ending January 31st, 1941, and during the five preceding fiscal years.

Question No. 114 (*d*) and (*f*)—The value of all wine sold to all other authority holders during the ten months ending January 31st, 1941, and during the two preceding fiscal years.

Mr. Macaulay asked the following Question (No. 137):—

1. What contracts have been let and by what Department, Commission or other agency of the Government for the construction of the Rainbow Bridge at Niagara Falls and all approaches and other works incidental thereto, specifying: (*a*) Name of contractor; (*b*) Nature of work to be performed and materials to be supplied in each case; (*c*) Contract price in each case; (*d*) Date of each contract; (*e*) Date set for completion of each contract. 2. Were all contracts let by public tender. 3. Give names and amounts of unsuccessful tenders. 4. Was the lowest tender accepted in each instance and if not give particulars. 5. What is the estimated date for completion and opening of the structure. 6. What is the total estimated cost of Ontario's share of the completed structure including approaches and all other related works.

The Honourable the Minister of Highways replied as follows:—

1. CONTRACTS LET BY THE DEPARTMENT OF HIGHWAYS

Contract 40-99

(*a*) J. N. Pitts; (*b*) Concrete work, earth and rock excavation, etc., up to the road level of the Canadian Approach Plaza. The contractor supplies all necessary materials except cement and reinforcing steel which are supplied by the Department; (*c*) \$118,330.00; (*d*) 7th August, 1940; (*e*) 15th July, 1941.

Contract 40-105

(*a*) Brennan Paving Co., Ltd.; (*b*) Stone work, shelf angles, backing block, etc., up to the parapet level of the Canadian Approach Plaza. The contractor supplies stone and all other necessary materials except cement and wedge shaped slots for stone anchors which are supplied by the Department; (*c*) \$85,280.00; (*d*) 11th November, 1940; (*e*) 12th May, 1941.

Contract 40-119

(*a*) Brennan Paving Co., Ltd.; (*b*) General construction (except work to be done by mechanical trades) of the Customs and Immigration Building, Canopies

and Shelters on the Canadian Approach Plaza. The contractor supplies all materials for the general construction of those buildings except materials to be supplied under mechanical trade contracts and cement and reinforcing steel which are supplied by the Department; (c) \$280,452.00; (d) 3rd February, 1941; (e) 15th August, 1941.

Contract 40-120

(a) George C. Abbott, Ltd.; (b) Plumbing, heating and ventilation for the buildings on the Canadian Approach Plaza. The contractor supplies all labour, materials, equipment and fixtures necessary for the installation of complete plumbing, heating and ventilating systems; (c) \$81,500.00; (d) 3rd February, 1941; (e) 15th August, 1941.

Contract 40-121

(a) Canadian Comstock Co., Ltd.; (b) Electrical work for the buildings on the Canadian Approach Plaza. The contractor supplies all labour, material and equipment for the electrical work including telephone conduit; (c) \$30,870.00; (d) 3rd February, 1941; (e) 15th August, 1941.

Contract 40-122

(a) The Grover Company; (b) Installation of a pneumatic tube system in the buildings on the Canadian Approach Plaza. The contractor supplies all labour, material and equipment necessary for the installation of a complete pneumatic tube system to and from the Customs Cabins and Card Return Cabins; (c) \$7,165.00; (d) 3rd February, 1941; (e) 15th August, 1941.

2. Yes.

3. Contract 40-99—

Carter-Halls-Aldinger Co., Ltd.....	\$119,338.50
Rayner Construction, Ltd.....	157,759.50
Frid Construction Co., Ltd.....	123,554.67
Dominion Construction Corporation, Ltd.....	149,382.50

Contract 40-105—

J. N. Pitts.....	\$111,322.00
The Ritchie Cut-Stone Co., Ltd.....	117,000.00
Sharp Bros. Cut-Stone Co., Ltd.....	134,315.00

Contract 40-119—

J. N. Pitts Construction Co., Ltd.....	\$285,000.00
Frid Construction Co., Ltd.....	297,000.00
Anglin-Norcross.....	320,960.00
Goldie Construction Co., Ltd.....	315,620.00
Frid Construction Co.....	308,744.00

Contract 40-120—

B. J. Miller.....	\$85,736.00
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Contract 40-121—

Ontario Electric Const.....	\$37,163.00
E. L. R. Roxborough Electric.....	37,287.00
Canada Electric Co.....	39,073.00

Contract 40-122—

The Lamson Company.....	\$8,291.00
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4. Yes. 5. Estimated date for completion of work—31st October, 1941;
Estimated date for opening—15th November, 1941. 6. \$800,000.00.

Mr. Duckworth asked the following Question (No. 149):—

1. How many Old Age Pensions have been discontinued during the period January 1st, 1937, up to the present time. 2. How many Old Age Pensions have been reduced, in regard to amount payable, during the same above period.

The Honourable the Minister of Welfare replied as follows:—

1. 31,028 cancellations. By reason of death—26,094; by transfer to other provinces—796; due to failure to disclose assets or other misrepresentation at time of application, increased earning power of unmarried children, altered economic status—4,138. 2. 3,266 reductions due to failure to disclose assets or other misrepresentation at time of application, increased earning power of unmarried children, altered economic status.

Mr. Doucett asked the following Question (No. 159):—

1. What did the Department of Public Highways pay per barrel for cement used on highways for years 1937, 1938, 1939 and 1940. 2. What quantity of cement was used during each year 1937, 1938, 1939 and 1940. 3. What firms supplied cement to the Department of Public Highways for 1937, 1938, 1939 and 1940. 4. What firms supplied metal culverts to the Department of Public Highways for 1937, 1938, 1939 and 1940, and what was the price.

The Honourable the Minister of Highways replied as follows:—

1. Standard Brand Cement—

Same prices prevailed for 1937, 1938, 1939 and 1940.

Southern Ontario—\$2.07 per barrel. Less discount 10 cents per barrel 20 days. F.O.B. destination.

Northern Ontario—\$2.07 per barrel. Less discount 10 cents per barrel 20 days. Price for Northern Ontario includes freight cost up to 14 cents per 100 lbs. Freight cost in excess of 14 cents added to Net Price.

XXX Brand Cement—

1937.....	\$2.60	per	barrel,	plus	freight	to	destination
1938.....	2.60	"	"	"	"	"	"
1939.....	2.35	"	"	"	"	"	"
1940 (to July 1st).....	2.35	"	"	"	"	"	"
1940 (from July 1st)....	2.00	"	"	"	"	"	"

2. 1937—1,291,154 Barrels.

1938—	481,547	"
1939—	318,859	"
1940—	583,129	"

3. 1937—Canada Cement Co., Ltd., and Alfred Rogers, Ltd.
1938—Canada Cement Co., Ltd., and Alfred Rogers, Ltd.
1939—Canada Cement Co., Ltd., and Alfred Rogers, Ltd.
1940—Canada Cement Co., Ltd., and Alfred Rogers, Ltd.

In addition a number of small purchases were made from dealers throughout the Province.

4. Canada Ingot Iron Co., Ltd., Pedlar People, Ltd., Metallic Roofing Co., Ltd., Canada Culvert Co., Ltd., Roofers Supply Co., Ltd., Corrugated Pipe Co., Ltd., E. S. Hubbell & Sons.

All the above firms supplied pipe during the years 1937, 1938, 1939 and 1940 at the same prices.

PRICES—1937

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert	
		C. L.	L. C. L.	C. L.	L. C. L.
8"	18	\$.72	\$.78	\$.81	\$.87
	16	.88	.95	.97	1.04
	14	1.09	1.16	1.19	1.26
10"	18	.82	.86	.92	.96
	16	.95	.99	1.06	1.10
	14	1.19	1.23	1.31	1.35
12"	16	1.07	1.10	1.19	1.22
	14	1.29	1.33	1.43	1.47
	12	1.65	1.76	1.79	1.90
15"	16	1.31	1.37	1.46	1.52
	14	1.50	1.55	1.67	1.72
	12	2.23	2.37	2.41	2.55
18"	16	1.50	1.55	1.68	1.73
	14	1.80	1.86	2.01	2.07
	12	2.63	2.80	2.85	3.02
21"	10	3.21	3.43	3.43	3.65
	16	1.80	1.86	2.02	2.08
	14	2.12	2.19	2.38	2.45
	12	3.06	3.28	3.32	3.54
	10	3.68	3.92	3.94	4.18

PRICES—1937—Continued

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert	
		C. L.	L. C. L.	C. L.	L. C. L.
24"	16	\$ 2.09	\$ 2.16	\$ 2.37	\$ 2.44
	14	2.48	2.56	2.77	2.85
	12	3.30	3.43	3.59	3.72
	10	4.34	4.63	4.65	4.94
30"	16	2.52	2.61	2.89	2.98
	14	3.11	3.22	3.48	3.59
	12	4.28	4.45	4.65	4.82
	10	5.61	5.98	6.03	6.40
36"	16	2.88	2.99	3.32	3.43
	14	3.57	3.70	4.01	4.14
	12	4.97	5.15	5.41	5.59
	10	6.34	6.78	6.79	7.23
42"	16	3.55	3.70	4.07	4.22
	14	4.40	4.57	4.92	5.09
	12	5.85	6.07	6.37	6.59
	10	7.18	7.46	7.70	7.98
48"	14	5.04	5.23	5.68	5.87
	12	6.70	6.94	7.34	7.58
	10	7.94	8.24	8.58	8.88
	8	8.94	9.58	9.68	10.32
54"	12	8.12	8.68	8.81	9.37
	10	9.09	9.48	9.78	10.17
	8	10.00	10.69	10.89	11.58
60"	12	9.09	9.47	9.90	10.28
	10	10.26	10.71	11.07	11.52
	8	11.07	11.88	12.10	12.91
72"	12	10.73	11.18	11.74	12.19
	10	12.09	12.65	13.10	13.64
	8	13.16	14.17	14.39	15.40
84"	12	12.45	12.97	13.66	14.18
	10	14.03	14.64	15.24	15.85
	8	15.36	16.57	16.76	17.97
96"	12	14.04	14.56	15.55	16.07
	10	16.23	16.76	17.74	18.27
	8	17.99	19.04	19.50	20.55

Prices F.O.B. any Railway Station in Ontario.

Coupling bands free with lengths of 8 feet or more.

Coupling bands on less than 8 feet, charged as the price of 1 foot of pipe.

C. L. means—Car Load Lots. L. C. L. means—Less than Car Load Lots.
Prices given per foot.

PRICES—1938

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
8"	18	\$.74	\$.76	\$.90	\$.92	\$.98	\$ 1.00
	16	.81	.83	.98	1.00	1.08	1.10
	14	.93	.96	1.11	1.14	1.23	1.26
10"	18	.84	.86	1.04	1.06	1.16	1.18
	16	.92	.95	1.13	1.16	1.27	1.30
	14	1.00	1.03	1.22	1.25	1.38	1.41
12"	16	.97	1.00	1.21	1.24	1.33	1.36
	14	1.13	1.17	1.38	1.42	1.52	1.56
	12	1.61	1.66	1.87	1.92	2.03	2.08
15"	16	1.24	1.28	1.54	1.58	1.68	1.72
	14	1.41	1.46	1.73	1.78	1.89	1.94
	12	1.98	2.04	2.31	2.37	2.49	2.55
18"	16	1.42	1.47	1.78	1.83	1.95	2.00
	14	1.70	1.76	2.10	2.16	2.27	2.33
	12	2.36	2.44	2.76	2.84	2.95	3.03
	10	3.01	3.11	3.43	3.53	3.64	3.74
21"	16	1.65	1.70	2.07	2.12	2.30	2.35
	14	1.98	2.05	2.41	2.48	2.66	2.73
	12	2.76	2.85	3.20	3.29	3.47	3.56
	10	3.52	3.64	3.97	4.09	4.27	4.39
24"	16	1.94	2.00	2.42	2.48	2.64	2.70
	14	2.32	2.40	2.87	2.95	3.12	3.20
	12	3.15	3.26	3.70	3.81	4.00	4.11
	10	4.02	4.16	4.57	4.71	4.89	5.03
30"	16	2.35	2.43	.....	.....	.....	.....
	14	2.91	3.00	3.51	3.60	3.83	3.92
	12	3.87	4.00	4.51	4.64	4.87	5.00
	10	5.03	5.20	5.71	5.88	6.11	6.28
36"	16	2.83	2.92	.....	.....	.....	.....
	14	3.49	3.60	4.15	4.26	4.53	4.64
	12	4.74	4.90	5.44	5.60	5.84	6.00
	10	6.25	6.45	7.00	7.20	7.45	7.65
42"	16	3.29	3.40	.....	.....	.....	.....
	14	4.37	4.50	5.07	5.20	5.52	5.65
	12	6.22	6.40	6.94	7.12	7.44	7.62
	10	7.46	7.70	8.20	8.44	8.76	9.00
48"	14	4.91	5.06	5.66	5.81	6.17	6.32
	12	6.89	7.10	7.66	7.87	8.26	8.47
	10	8.51	8.78	9.30	9.57	9.91	10.18
	8	10.77	11.10	.....	.....	.....	.....
54"	14	5.63	5.80	.....	.....	.....	.....
	12	7.79	8.03	8.74	8.98	9.45	9.69
	10	9.70	10.00	10.65	10.95	11.42	11.72
	8	12.30	12.67	.....	.....	.....	.....

PRICES—1938—Continued

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
60"	12	8.70	\$ 8.96	\$ 9.82	\$ 10.08	\$ 10.58	\$ 10.84
	10	10.87	11.20	11.99	12.32	12.83	13.16
	8	13.10	13.50	14.22	14.62	15.25	15.65
72"	12	10.48	10.80	11.78	12.10	12.68	13.00
	10	12.80	13.20	14.10	14.50	15.10	15.50
	8	15.81	16.30	17.11	17.60	18.21	18.70
84"	12	12.23	12.60	13.73	14.10	14.73	15.10
	10	15.18	15.65	16.68	17.15	17.80	18.27
	8	18.43	19.00	19.93	20.50	21.18	21.75
96"	12	13.98	14.40	15.68	16.10	16.78	17.20
	10	17.36	17.90	19.06	19.60	20.28	20.82
	8	20.99	21.65	22.69	23.35	24.04	24.70

Prices F.O.B. any Railway Station in Ontario.

Coupling bands free with lengths of 8 feet or more.

Coupling bands on less than 8 feet, charged at the price of 1 foot of pipe.

C. L. means—Car Load Lots. L. C. L. means—Less than Car Load Lots.
Prices given per foot.

HEL-COR PIPE

6" Diameter 18 Gauge, perforated and coated with asphalt.....	\$.40 L. Ft.
45 Degree Elbows.....	4.00 Each
90 Degree Elbows.....	7.00 Each

Laterals and Tees—Same price as 45 Degree Elbows.

Y's—Same price as 90 Degree Elbows.

Couplers extra in all cases at 40c. each.

Freight prepaid. On shipment of 3,000 feet or more to one destination—
5% discount. Terms—Net 30 days.

PRICES—1939

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
8"	18	\$.72	\$.74	\$.88	\$.90	\$.96	\$.98
	16	.79	.81	.96	.98	1.06	1.08
	14	.90	.93	1.08	1.11	1.20	1.23
10"	18	.81	.83	1.01	1.03	1.13	1.15
	16	.89	.92	1.10	1.13	1.24	1.27
	14	.97	1.00	1.19	1.22	1.35	1.38

PRICES—1939—Continued

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
12"	16	\$.94	.97	\$ 1.18	\$ 1.21	\$ 1.30	\$ 1.33
	14	1.09	1.13	1.34	1.38	1.48	1.52
15"	12	1.56	1.61	1.82	1.87	1.98	2.03
	16	1.20	1.24	1.50	1.54	1.64	1.68
	14	1.37	1.42	1.69	1.74	1.85	1.90
18"	12	1.92	1.98	2.25	2.31	2.43	2.49
	16	1.38	1.43	1.74	1.79	1.91	1.96
	14	1.65	1.71	2.05	2.11	2.22	2.28
	12	2.29	2.37	2.69	2.77	2.88	2.96
21"	10	2.92	3.02	3.34	3.44	3.55	3.65
	16	1.60	1.65	2.02	2.07	2.25	2.30
	14	1.92	1.99	2.35	2.42	2.60	2.67
	12	2.67	2.76	3.11	3.20	3.38	3.47
24"	10	3.41	3.53	3.86	3.98	4.16	4.28
	16	1.88	1.94	2.38	2.44	2.60	2.66
	14	2.25	2.33	2.80	2.88	3.05	3.13
	12	3.05	3.16	3.60	3.71	3.90	4.01
30"	10	3.90	4.04	4.45	4.59	4.77	4.91
	16	2.28	2.36	2.88	2.96	3.18	3.26
	14	2.82	2.91	3.42	3.51	3.74	3.83
	12	3.75	3.88	4.39	4.52	4.75	4.88
36"	10	4.87	5.04	5.55	5.72	5.95	6.12
	16	2.74	2.83	3.40	3.49	3.76	3.85
	14	3.38	3.49	4.04	4.15	4.42	4.53
	12	4.59	4.75	5.29	5.45	5.69	5.85
42"	10	6.06	6.26	6.81	7.01	7.26	7.46
	16	3.19	3.30	3.89	4.00	4.31	4.42
	14	4.24	4.37	4.94	5.07	5.39	5.52
	12	6.03	6.21	6.75	6.93	7.25	7.43
48"	10	7.23	7.47	7.97	8.21	8.53	8.77
	14	4.76	4.91	5.50	5.66	6.01	6.17
	12	6.68	6.89	7.45	7.66	8.01	8.22
	10	8.25	8.52	9.04	9.31	9.65	9.92
54"	8	10.44	10.77	11.24	11.57	11.85	12.18
	14	5.46	5.63	6.41	6.58	7.09	7.26
	12	7.55	7.79	8.50	8.74	9.21	9.45
	10	9.40	9.70	10.35	10.65	11.12	11.42
60"	8	11.92	12.29	12.87	13.24	13.70	14.07
	12	8.43	8.69	9.56	9.81	10.32	10.57
	10	10.53	10.86	11.65	11.98	12.49	12.82
	8	12.70	13.10	13.82	14.22	14.74	15.14
72"	12	10.16	10.48	11.46	11.78	12.36	12.68
	10	12.40	12.80	13.78	14.18	14.78	15.18
	8	15.32	15.81	16.62	17.11	17.72	18.21

PRICES—1939

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
84"	12	11.85	\$ 12.22	\$ 13.35	\$ 13.72	\$ 14.35	\$ 14.72
	10	14.71	15.18	16.21	16.68	17.33	17.80
	8	17.86	18.43	19.36	19.93	20.61	21.18
96"	12	13.55	13.97	15.22	15.67	16.22	16.77
	10	16.82	17.36	18.52	19.06	19.74	20.28
	8	20.34	21.00	22.04	22.70	23.39	24.05

Prices F.O.B. any Railway Station in Ontario.

Coupling bands free with lengths of 8 feet or more.

Coupling bands on less than 8 feet, charged at the price of 1 foot of pipe.

C. L. means—Car Load Lots. L. C. L. means—Less than Car Load Lots.
Prices given per foot.

HEL-COR PIPE

6" Diameter 18 Gauge, perforated and asphalt coated	\$.36 L. Ft.
6" Diameter 18 Gauge, perforated and asphalt coated, Revised	.34 L. Ft.
45 Degree Elbows	4.00 Each
90 Degree Elbows	7.00 Each

Laterals and Tees—Same price as 45 Degree Elbows.

Y's—Same price as 90 Degree Elbows.

Couplers extra at price of each of one foot of pipe.

Freight included South of Earlton and East of Sault Ste. Marie.

PRICES—1940

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
8"	18	\$.74	\$.76	\$.90	\$.92	\$.98	\$ 1.00
	16	.81	.83	.98	1.00	1.08	1.10
	14	.93	.96	1.11	1.14	1.23	1.26
10"	18	.83	.85	1.03	1.05	1.15	1.17
	16	.92	.95	1.13	1.16	1.27	1.30
	14	1.00	1.03	1.22	1.25	1.38	1.41
12"	16	.97	1.00	1.21	1.24	1.33	1.36
	14	1.12	1.16	1.37	1.41	1.51	1.55
	12	1.61	1.66	1.87	1.92	2.03	2.08
15"	16	1.24	1.28	1.54	1.58	1.68	1.72
	14	1.41	1.46	1.73	1.78	1.89	1.94
	12	1.98	2.04	2.31	2.37	2.49	2.55
18"	16	1.42	1.47	1.78	1.83	1.95	2.00
	14	1.70	1.76	2.10	2.16	2.27	2.33
	12	2.36	2.44	2.76	2.84	2.95	3.03
	10	3.01	3.11	3.43	3.53	3.64	3.74

PRICES—1940—Continued

CORRUGATED GALVANIZED CULVERTS—COPPER BEARING STEEL PIPE

Diam.	Gauge	Standard Round		Paved Invert		Asbestos Bonded	
		C. L.	L. C. L.	C. L.	L. C. L.	C. L.	L. C. L.
21"	16	\$ 1.65	\$ 1.70	\$ 2.07	\$ 2.12	\$ 2.30	\$ 2.35
	14	1.98	2.05	2.41	2.48	2.66	2.73
	12	2.75	2.84	3.19	3.28	3.46	3.55
	10	3.52	3.64	3.97	4.09	4.27	4.39
24"	16	1.94	2.00	2.44	2.50	2.66	2.72
	14	2.32	2.40	2.87	2.95	3.12	3.20
	12	3.14	3.25	3.69	3.80	3.99	4.10
	10	4.02	4.16	4.57	4.71	4.89	5.03
30"	16	2.35	2.43	2.95	3.03	3.25	3.33
	14	2.91	3.00	3.51	3.60	3.83	3.92
	12	3.87	4.00	4.51	4.64	4.87	5.00
	10	5.02	5.19	5.70	5.87	6.10	6.27
36"	16	2.82	2.91	3.48	3.57	3.84	3.93
	14	3.48	3.59	4.14	4.25	4.52	4.63
	12	4.73	4.89	5.43	5.59	5.83	5.99
	10	6.25	6.45	7.00	7.20	7.45	7.65
42"	16	3.29	3.40	3.99	4.10	4.41	4.52
	14	4.37	4.50	5.07	5.20	5.52	5.65
	12	6.22	6.40	6.94	7.12	7.44	7.62
	10	7.45	7.69	8.19	8.43	8.75	8.99
48"	14	4.91	5.06	5.65	5.81	6.16	6.32
	12	6.89	7.10	7.66	7.87	8.22	8.43
	10	8.51	8.78	9.30	9.57	9.91	10.18
	8	10.76	11.09	11.56	11.89	12.17	12.50
54"	14	5.63	5.80	6.58	6.75	7.26	7.43
	12	7.78	8.02	8.73	8.97	9.44	9.68
	10	9.69	9.99	10.64	10.94	11.41	11.71
	8	12.29	12.66	13.24	13.61	14.07	14.44
60"	12	8.69	8.95	9.82	10.07	10.58	10.83
	10	10.86	11.19	11.98	12.31	12.82	13.15
	8	13.09	13.49	14.01	14.61	15.13	15.53
	12	10.47	10.79	11.77	12.09	12.67	12.99
72"	10	12.78	13.18	14.16	14.56	15.16	15.56
	8	15.79	16.28	17.09	17.58	18.19	18.68
	12	12.22	12.59	13.72	14.09	14.72	15.09
	10	15.17	15.64	16.67	17.14	17.79	18.26
84"	8	18.41	18.98	19.91	20.48	21.16	21.73
	12	13.97	14.39	15.64	16.09	16.64	17.19
	10	17.34	17.88	19.04	19.58	20.26	20.80
	8	20.97	21.63	22.67	23.33	24.02	24.68

Prices F.O.B. any Railway Station in Ontario.

Coupling bands free with lengths of 8 feet or more.

Coupling bands on less than 8 feet, charged at the price of 1 foot of pipe.

C. L. means—Car Load Lots. L. C. L. means—Less than Car Load Lots.

Prices given per foot.

HEL-COR PIPE

6" Diameter 18 Gauge, perforated and asphalt coated.....	\$.39 L. Ft. Delivered in S. Ontario
6" Diameter 16 Gauge, perforated and asphalt coated.....	.53 L. Ft. Delivered in S. Ontario
6" Diameter 18 Gauge, perforated and asphalt coated.....	.41 L. Ft. Delivered in N. Ontario
6" Diameter 16 Gauge, perforated and asphalt coated.....	.56 L. Ft. Delivered in N. Ontario
8" Diameter 18 Gauge, perforated and asphalt coated.....	.53 L. Ft. Delivered in S. Ontario
8" Diameter 16 Gauge, perforated and asphalt coated.....	.66 L. Ft. Delivered in S. Ontario
8" Diameter 18 Gauge, perforated and asphalt coated.....	.56 L. Ft. Delivered in N. Ontario
8" Diameter 16 Gauge, perforated and asphalt coated.....	.71 L. Ft. Delivered in N. Ontario

Couplers included in above prices.

Non-perforated pipe deduct .01 per L. Ft.

NOTE:—8" Pipe only—On quantities less than 300 feet prices apply for 20-foot lengths only. Where other lengths specified prices are as standard culvert schedule with the option of supplying standard round culverts coated.

Mr. Downer asked the following Question (No. 169):—

1. What was the cost of the construction of the following highways: No. 24—Shelburne to Collingwood—1940, Duntroon to Stayner—1940; No. 89—Shelburne to Cookstown—1940. 2. What was the cost of maintenance of the above highways in 1940. 3. Give names of maintenance employees and amount received by each in 1940.

The Honourable the Minister of Highways replied as follows:—

1. Nil.

2. No. 24—Shelburne to Collingwood.....	\$27,362.25
No. 91—Duntroon to Stayner.....	2,710.45
No. 89—Shelburne to Cookstown.....	17,250.12

3. T. E. Mason.....	\$861.00	M. Magill.....	\$ 38.15
W. Lovegrove.....	187.25	B. Lennox.....	14.70
J. Nichol.....	4.20	R. W. Smalley.....	8.40
D. Nicholl.....	2.45	S. Dennison.....	193.55
H. Fleming.....	2.45	T. Herron.....	1.05
E. Gosley.....	1.40	B. Keast.....	6.30
F. Anderson.....	4.90	F. Eldon.....	4.90
G. Mason.....	5.60	N. McNight.....	2.80

A. Michaels.....	\$ 4.90	F. Nichol.....	\$ 1.75
E. Irvin.....	107.80	J. Taylor.....	2.80
H. Jebb.....	25.20	C. Nixon.....	8.40
W. Smalley.....	8.40	J. King.....	4.20
A. Mason.....	103.80	T. Handie.....	2.45
D. Applegate.....	3.50	W. Upton.....	2.80
G. Drennan.....	3.50	J. Vernon.....	7.70
H. Crooke.....	9.45	C. Button.....	7.70
W. Vernon.....	7.70	W. Ayerst.....	12.25
S. Johnston.....	5.60	D. Draper.....	54.10
D. Tracey.....	9.80	H. Weston.....	14.00
V. Langley.....	5.60	E. Fleming.....	2.80
John Quail.....	721.00	J. Heslip.....	192.22
W. Broughton.....	273.35	F. O'Hearne.....	298.55
M. Walsh.....	64.45	D. Quail.....	33.60
H. Fleming.....	1.05	T. Amess.....	176.92
C. Milne.....	15.40	H. Cooke.....	23.80
H. Halliday.....	3.85	E. J. Nichol.....	16.80
R. J. Little.....	7.35	H. Halliday.....	436.48
W. Allan.....	35.35	H. Crooke.....	291.67
G. Orvis.....	251.13	R. Cowan.....	509.57
G. Gilpin.....	199.32	W. McNabb.....	279.47
H. Bailey.....	80.45	E. Petterson.....	57.76
P. Saigeon.....	46.93	C. Pardoe.....	87.85
G. Fewster.....	69.99	G. Pendleton.....	39.70
A. Huskinson.....	100.67	R. Madill.....	18.33
R. Moffat.....	27.55	E. Oldfield.....	269.30
G. Orvis.....	458.04	W. Stewart.....	249.00
G. Fewster.....	413.26	C. McGhee.....	60.37
A. Dayton.....	23.80	H. Dayton.....	2.80
R. McGhee.....	1.40	M. Hardwick.....	96.60
V. Orvis.....	22.05	W. Harrison.....	25.20
H. Webster.....	48.30	C. Webster.....	62.95
J. Dinsmore.....	47.60	E. Huxley.....	96.95
T. Jenners.....	1.05	J. Spencely.....	21.70
J. Walwark.....	81.20	R. Vause.....	24.45
R. Moffatt.....	39.62	L. Jenners.....	51.10
W. Fossett.....	24.85	G. Cleary.....	63.85
H. Proctor.....	53.64	D. Webster.....	53.90
V. Hebden.....	45.15	E. Facknie.....	60.20
W. Hunter.....	52.69	R. Hurd.....	21.35
E. Cave.....	21.15	J. Brown.....	79.45
M. Proctor.....	6.30	M. McQuarrie.....	1.57
I. Davie.....	41.65	W. Reddick.....	60.20
P. Saigeon.....	15.95	E. Page.....	29.40
B. Brophy.....	533.32	A. Stewart.....	35.00
M. Coutts.....	229.95	C. McDonald.....	211.80
A. Taylor.....	35.70	F. Raymond.....	180.95
A. McDermid.....	306.60	G. Stoll.....	120.40
W. Perry.....	38.50	C. Forgie.....	25.90
M. Fox.....	36.00	G. Stangroom.....	140.00
W. Coutts.....	52.30	D. Taylor.....	16.80

W. Jordan.....	\$124.95	C. McBride.....	\$ 58.80
D. Buie.....	25.90	D. Campbell.....	60.55
J. Long.....	78.40	S. Gibson.....	57.40
A. Coe.....	65.10	M. Sawden.....	19.60
J. McQuillan.....	38.85	O. Coombs.....	82.25
J. McBride.....	160.30	C. Goldsmith.....	28.00
C. Holden.....	44.80	G. Raney.....	30.80
F. Currie.....	29.40	J. McMillan.....	1.75
M. McClean.....	26.40	C. Webb.....	28.00
E. Bush.....	40.60	J. McGregor.....	25.20
V. Lamont.....	92.40	W. Dey.....	30.80
J. McCarl.....	44.75	H. Scutt.....	26.60
A. McBride.....	44.80	F. Edwards.....	17.15
R. Edwards.....	20.30	C. Hackett.....	5.60
J. Briggs.....	34.30	C. Ferguson.....	11.40
R. Miller.....	12.25	D. Miller.....	1.75
D. Hall.....	14.35	G. Elyea.....	42.00
A. McDonald.....	2.80	J. Bell.....	2.80
F. Hewston, Sr.....	9.45	F. Hewston, Jr.....	1.40
N. McDermid.....	12.25	H. Lloyd.....	10.85
R. McBride.....	42.00	F. Webb.....	30.45
D. McDermid.....	1.40	W. Baker.....	1.40
A. Allan.....	31.85	R. Hawman.....	18.20
F. Vancise.....	2.80	R. Kenwell.....	19.60
E. Granger.....	29.40	D. Cottrill.....	15.40
I. Kenwell.....	2.80	N. McCarl.....	25.15
C. Newton.....	4.20	A. Walker.....	4.20
N. Thompson.....	11.90	F. Jelly.....	9.45
J. McDonald.....	3.50	J. Ferguson.....	28.70
W. McClean.....	19.60	A. Roney.....	2.80
B. Gibson.....	15.75	F. Young.....	2.80
N. Campbell.....	17.50	F. Sampson.....	2.80
R. Sampson.....	2.80	D. Campbell.....	8.40
D. Sampson.....	2.80	W. Campbell.....	2.80

Mr. Kennedy asked the following Question (No. 156):—

1. Is the Ontario Research Foundation continuing its experiments and research work relating to the control of contagious abortion (Bang's disease), by work with the remaining herds of cattle at the Ontario Hospitals; if not, when were the experiments discontinued. 2. Over what period did the experiments extend and what amount was paid the Ontario Research Foundation in this connection. 3. At what Ontario Hospitals are dairy herds maintained. 4. Which of the herds at the Ontario Hospitals are T. B. tested. 5. Which of the herds at the Ontario Hospitals are blood tested regularly in relation to contagious abortion (Bang's disease).

The Honourable the Minister of Agriculture replied as follows:—

1. No; 1934. 2. 1931-34; \$5,735.52. 3. Brockville, Kingston, Whitby,

Hamilton, Langstaff, Orillia, Penetang, Woodstock. 4. All Ontario Hospital herds are tested for T. B. 5. All herds except those at Kingston and Hamilton which are under Calfbrand Vaccination Programme.

In respect to Question (No. 147) regarding the purchases in certain years from Taylor Hardware Company by Ontario Government and the Temiskaming and Northern Ontario Railway,

The Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Dunbar, seconded by Mr. Doucett,

Ordered, That there be laid before this House a Return showing: 1. What purchases were made in the years 1936, 1937, 1938, 1939 and 1940 from the Taylor Hardware Company, either from its head office at New Liskeard, or from any of its branches elsewhere, by all Departments of the Ontario Government, including the Temiskaming and Northern Ontario Railway, giving the total amount of the purchases in each year from each branch of the company by each Department. 2. What was the general nature of the purchases.

In respect to Question (No. 161) regarding the lands required re construction of approaches of Rainbow Bridge at Niagara Falls,

The Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Macaulay, seconded by Mr. Kennedy,

Ordered, That there be laid before this House a Return showing: 1. What lands have been acquired to provide for construction of approaches or other works in connection with the Rainbow Bridge at Niagara Falls, indicating: (a) Description of each parcel acquired; (b) From whom each parcel was acquired; (c) Purchase price of each parcel acquired; (d) Whether acquired by mutual agreement or by expropriation; (e) Who acted for the Government or any Department, Commission or other agency of the Government in fixing valuations for lands acquired; (f) What buildings or other structures were located on each parcel and what disposition was made of such buildings or structures, to whom and under what terms.

On motion of Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That this House do forthwith resolve itself into a Committee to consider a certain proposed Resolution respecting the borrowing of money on the Consolidated Revenue Fund.

Mr. Hepburn (Elgin), acquainted the House that His Honour the Lieutenant-Governor, having been informed of the subject matter of the proposed Resolution, recommends it to the consideration of the House.

The House then resolved itself into the Committee.

(In the Committee)

Resolved,

1. That the Lieutenant-Governor in Council be authorized to raise from time to time by way of loan such sum or sums of money as may be deemed expedient for any or all of the following purposes, that is to say: For the public service, for works carried on by commissioners on behalf of Ontario, for the covering of any debt of Ontario on open account, for paying any floating indebtedness of Ontario, and for the carrying on of the public works authorized by the Legislature; Provided that the principal amount of any securities issued and the amount of any temporary loans raised under the authority of this Act, including any securities issued for the retirement of the said securities or temporary loans, at any time outstanding, shall not exceed in the whole Twenty Million Dollars (\$20,000,000).

2. That the aforesaid sum of money may be borrowed for any term or terms not exceeding forty years, at such rate as may be fixed by the Lieutenant-Governor in Council and shall be raised upon the credit of the Consolidated Revenue Fund of Ontario, and shall be chargeable thereupon.

3. That the Lieutenant-Governor in Council may provide for a special sinking fund with respect to the issue herein authorized, and such sinking fund may be at a greater rate than the one-half of one per centum per annum specified in subsection 3 of section 3 of *The Provincial Loans Act*.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to a certain Resolution.

Ordered, That the Report be now received.

Resolved,

1. That the Lieutenant-Governor in Council be authorized to raise from time to time by way of loan such sum or sums of money as may be deemed expedient for any or all of the following purposes, that is to say: For the public service, for works carried on by commissioners on behalf of Ontario, for the covering of any debt of Ontario on open account, for paying any floating indebtedness of Ontario, and for the carrying on of the public works authorized by the Legislature; Provided that the principal amount of any securities issued and the amount of any temporary loans raised under the authority of this Act, including any securities issued for the retirement of the said securities or temporary loans, at any time outstanding, shall not exceed in the whole Twenty Million Dollars (\$20,000,000).

2. That the aforesaid sum of money may be borrowed for any term or terms not exceeding forty years, at such rate as may be fixed by the Lieutenant-Governor in Council and shall be raised upon the credit of the Consolidated Revenue Fund of Ontario, and shall be chargeable thereupon.

3. That the Lieutenant-Governor in Council may provide for a special sinking fund with respect to the issue herein authorized, and such sinking fund

may be at a greater rate than the one-half of one per centum per annum specified in subsection 3 of section 3 of *The Provincial Loans Act*.

The Resolution having been read the second time was agreed to and referred to the House on Bill (No. 97).

The following Bill was read the second time:—

Bill (No. 97), An Act for Raising Money on the Credit of the Consolidated Revenue Fund.

Referred to a Committee of the Whole House to-day.

The House again resolved itself into a Committee to consider Bill (No. 90), The Statute Law Amendment Act, 1941, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill with certain amendments.

Ordered, That the Amendments be taken into consideration forthwith.

The Amendments, having been read the second time, were agreed to.

Ordered, That the Bill be read the third time to-day.

The House resolved itself into a Committee to consider Bill (No. 97), An Act for Raising Money on the Credit of the Consolidated Revenue Fund, and, after some time spent therein, Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had directed him to report the Bill without any amendment.

Ordered, That the Bill be read the third time to-day.

The following Bills were read the third time and were passed:—

Bill (No. 54), An Act respecting the subsidizing of Cheese and Hogs produced in Ontario.

Bill (No. 82), An Act to amend The Securities Act.

Bill (No. 91), An Act to amend The Department of Municipal Affairs Act.

Bill (No. 92), The Municipal Amendment Act, 1941.

Bill (No. 93), The Assessment Amendment Act, 1941.

Bill (No. 96), An Act respecting a certain Bond Mortgage made by the Abitibi Power and Paper Company Limited to the Montreal Trust Company.

Bill (No. 90), The Statute Law Amendment Act, 1941.

Bill (No. 97), An Act for Raising Money on the Credit of the Consolidated Revenue Fund.

Mr. Patterson, from the Committee of Supply, reported the following Resolution:—

Resolved, That Supply in the following amounts and to defray the expenses of the Government Departments named be granted to His Majesty for the year ending March 31st, 1942:—

DEPARTMENT OF AGRICULTURE:

Main Office.....	\$ 353,407.50
Statistics and Publications Branch.....	12,225.00
Agricultural and Horticultural Societies Branch.....	125,720.00
Live Stock Branch.....	73,775.00
Institutes Branch.....	70,335.00
Dairy Branch.....	128,280.00
Milk Control Board.....	49,350.00
Fruit Branch.....	95,705.00
Agricultural Representatives Branch.....	330,300.00
Crops, Seeds and Weeds Branch.....	44,488.00
Co-operation and Markets Branch.....	31,375.00
Kemptville Agricultural School.....	96,560.00
Ontario Veterinary College.....	84,258.00
Western Ontario Experimental Farm.....	29,536.00
Demonstration Farm, New Liskeard.....	13,320.00
Demonstration Farm, Hearst.....	5,800.00
Northern Ontario Branch.....	24,375.00
Ontario Agricultural College, Guelph.....	807,308.00
Co-operation and Markets Branch.....	25,000.00

DEPARTMENT OF ATTORNEY-GENERAL:

Main Office.....	76,200.00
Supreme Court.....	85,175.00
Shorthand reporters.....	33,050.00
Toronto and York Crown Attorney's Office.....	27,500.00
Land Titles Office.....	25,300.00
Drainage Referees.....	2,550.00
Criminal Justice Accounts.....	986,200.00
Public Trustee's Office.....	67,750.00
Official Guardian's Office.....	34,950.00
Accountant's Office—Supreme Court of Ontario.....	21,970.00
Fire Marshal's Office.....	59,700.00
Inspector of Legal Offices.....	81,050.00
Law Enforcement Branch (Provincial Police).....	1,365,200.00
Ontario Securities Commission.....	63,000.00

DEPARTMENT OF EDUCATION:

Main Office.....	77,600.00
Legislative Library.....	16,750.00
Public Records and Archives.....	5,200.00
Public and Separate School Education.....	5,721,400.00
Inspection of Schools.....	546,600.00
Departmental Examinations.....	222,100.00

DEPARTMENT OF EDUCATION—Continued

Text Books.....	\$ 67,500.00
Training Schools.....	104,450.00
Toronto Normal and Model Schools.....	129,725.00
Ottawa Normal School.....	44,550.00
London Normal School.....	43,050.00
Hamilton Normal School.....	43,650.00
Peterborough Normal School.....	36,680.00
Stratford Normal School.....	34,400.00
North Bay Normal School.....	38,550.00
University of Ottawa Normal School.....	81,450.00
High Schools and Collegiate Institutes.....	890,500.00
Public Libraries.....	106,700.00
Vocational Education.....	1,858,450.00
Ontario Training College for Technical Teachers.....	27,500.00
Superannuated Teachers.....	8,800.00
Provincial and other Universities.....	1,836,000.00
Ontario School for the Deaf, Belleville.....	161,925.00
Ontario School for the Blind, Brantford.....	94,100.00

DEPARTMENT OF GAME AND FISHERIES:

Main Office.....	75,100.00
Districts.....	230,500.00
Game Animals and Birds.....	25,000.00
Macdiarmid.....	3,000.00
Biological and Fish Culture Branch.....	240,000.00
Grants.....	5,400.00
Wolf Bounty.....	40,000.00
Main Office—General.....	20,000.00

DEPARTMENT OF HEALTH:

Main Office.....	278,300.00
Maternal and Child Hygiene and Public Health Nursing Branch.....	28,450.00
Dental Service Branch.....	13,600.00
Inspection of Training Schools for Nurses Branch.....	17,450.00
Epidemiology Branch.....	208,400.00
Venereal Diseases Branch.....	157,650.00
Tuberculosis Prevention Branch.....	170,440.00
Industrial Hygiene Branch.....	70,900.00
Sanitary Engineering Branch.....	48,900.00
Laboratory Branch.....	153,400.00
Laboratory Divisions.....	82,370.00
Hospitals Branch.....	3,831,850.00

Ontario Hospitals:

Brampton.....	7,975.00
Brockville.....	412,600.00
Cobourg.....	160,300.00
Fort William.....	68,800.00

DEPARTMENT OF HEALTH—Continued

Hamilton.....	\$ 547,300.00
Kingston.....	445,900.00
Langstaff.....	131,200.00
London.....	623,900.00
New Toronto.....	515,800.00
New Toronto—Concord Unit.....	39,100.00
Orillia.....	571,200.00
Penetanguishene.....	254,400.00
Toronto.....	467,000.00
Whitby.....	703,300.00
Woodstock.....	567,800.00
Toronto Psychiatric.....	126,400.00

DEPARTMENT OF HIGHWAYS:

Main Office.....	401,800.00
Division Offices.....	420,000.00
Municipal Roads Branch.....	75,000.00
Gasoline Tax Branch.....	72,000.00
Miscellaneous Permits Branch.....	21,000.00
Motor Vehicles Branch.....	170,000.00

DEPARTMENT OF INSURANCE:

Main Office.....	62,425.00
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DEPARTMENT OF LABOUR:

Main Office.....	71,635.00
Industry and Labour Branch.....	13,555.00
Apprenticeship Branch.....	27,430.00
Boiler Inspection Branch.....	32,000.00
Factory Inspection Branch.....	10,595.00
Board of Examiners of Operating Engineers.....	26,980.00
Ontario Government Employment Offices.....	75,000.00
Minimum Wage Branch.....	38,975.00
Composite Inspection Division.....	110,830.00
War Emergency Training.....	400,000.00
Ontario Government Employment Offices.....	35,000.00

DEPARTMENT OF LANDS AND FORESTS:

Main Office.....	183,300.00
Agents.....	28,000.00
Rondeau Provincial Park.....	16,375.00
Ipperwash Beach Provincial Park.....	4,000.00
Forests Branch.....	85,000.00
Forests Service.....	1,600,000.00
Air Service.....	263,000.00
Radio Service.....	45,000.00
Woodmen's Employment Act.....	8,500.00
Clearing Townsites and Removal of Fire Hazards.....	20,000.00
Insect Control and Tree Diseases.....	17,000.00
Main Office—Surveys, etc.....	55,000.00
Forests Service—Reforestation.....	320,000.00

DEPARTMENT OF LEGISLATION:

Office of the Speaker.....	\$ 254,525.00
Office of the Law Clerk.....	13,125.00
Office of Crown-in-Chancery.....	4,800.00

OFFICE OF LIEUTENANT-GOVERNOR.....	10,000.00
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DEPARTMENT OF MINES:

Main Office.....	280,525.00
Gas and Oil Well Inspectors' Branch.....	10,000.00
Sulphur Fumes Arbitrator.....	5,000.00
Temiskaming Testing Laboratories.....	24,750.00
Offices of Mining Recorders.....	39,000.00

DEPARTMENT OF MUNICIPAL AFFAIRS:

Main Office.....	63,655.00
Ontario Municipal Board.....	30,935.00

DEPARTMENT OF PRIME MINISTER:

Main Office.....	19,400.00
Office of Executive Council.....	11,025.00
Travel and Publicity Bureau.....	300,000.00
Office of Civil Service Commissioner.....	11,460.00
Office of King's Printer.....	36,775.00
Office of Controller of Finances.....	11,910.00

OFFICE OF PROVINCIAL AUDITOR.....	112,200.00
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DEPARTMENT OF PROVINCIAL SECRETARY:

Main Office.....	57,785.00
Registrar-General's Branch.....	80,265.00

Reformatories and Prisons Branch:

Main Office.....	172,500.00
Board of Parole.....	17,000.00
Ontario Reformatory, Guelph.....	776,000.00
Mercer Reformatory, Toronto.....	142,000.00
Industrial Farm, Burwash.....	560,000.00
Ontario Training School for Boys—Bowmanville.....	154,000.00
Ontario Training School for Girls—Galt.....	89,000.00

DEPARTMENT OF PROVINCIAL TREASURER:

Main Office.....	87,640.00
Office of Budget Committee.....	9,420.00
Motion Picture Censorship and Theatre Inspection Branch...	44,025.00
Controller of Revenue Branch.....	404,460.00
Post Office.....	148,140.00
Main Office.....	800,000.00

DEPARTMENT OF PUBLIC WELFARE:

Main Office, Grants—Refuges, Orphanages, etc.....	\$ 219,975.00
Children's Aid Branch.....	188,200.00
Mothers' Allowances Commission.....	4,660,650.00
Old Age Pensions Commission.....	3,564,000.00
Old Age Pensions Commission Branches.....	10,291,500.00

DEPARTMENT OF PUBLIC WORKS:

Main Office.....	79,100.00
Public Buildings, Maintenance and Repairs:	
General Superintendence.....	19,500.00
Lieutenant-Governor's Apartment.....	4,600.00
Legislative and Departmental Buildings.....	411,400.00
Osgoode Hall.....	37,000.00
Educational Buildings.....	10,600.00
Agricultural Buildings.....	10,700.00
Training Schools.....	2,200.00
District Buildings.....	12,625.00
Ontario Hospitals.....	50,000.00
Ontario Reformatories.....	475.00
Public Works.....	15,000.00
Ontario Government Office Building—Kingston.....	3,800.00
Ontario Hospitals.....	15,000.00
Ontario Reformatories.....	10,000.00
District Buildings.....	1,000.00
Fish Hatcheries.....	5,000.00
Public Works.....	261,000.00

MISCELLANEOUS..... 104,400.00

The Resolution, having been read a second time, was concurred in.

The House, according to Order, resolved itself into the Committee of Ways and Means.

(In the Committee)

Resolved, That there be granted out of the Consolidated Revenue Fund of this Province a sum not exceeding Fifty-eight million, three hundred and forty thousand, four hundred and seventy-two dollars and fifty cents to meet the Supply to that extent granted to His Majesty.

Mr. Speaker resumed the Chair; and Mr. Patterson reported, That the Committee had come to a Resolution.

Ordered, That the Report be received forthwith.

Mr. Patterson, from the Committee on Ways and Means, reported a Resolution, which was read as follows:—

Resolved, That there be granted out of the Consolidated Revenue Fund of this Province a sum not exceeding Fifty-eight million, three hundred and forty thousand, four hundred and seventy-two dollars and fifty cents to meet the Supply to that extent granted to His Majesty.

The Resolution, having been read the second time, was agreed to.

The following Bill was then introduced and read the first time:—

Bill (No. 98), intituled, "An Act for granting to His Majesty certain sums of Money for the Public Service of the Financial Year ending the 31st day of March, 1942." *Mr. Hepburn* (Elgin).

Ordered, That the Bill be read the second time forthwith.

The Bill was then read a second time.

Ordered, That the Bill be read a third time forthwith.

The Bill was then read the third time and passed.

On motion of Mr. Elgie, seconded by Mr. Acres,

Ordered, That there be laid before this House a Return showing all correspondence, memoranda, maps, plans, sketches and applications in relation to licenses of occupation relating to parts of lots numbered Eleven and Twelve in the First Concession of the Township of Cavendish, such licenses of occupation being applied for by or on behalf of Frank Williams, Percy Blade, George Goodfellow and George Windover or any of them.

On motion of Mr. Doucett, seconded by Mr. Downer,

Ordered, That there be laid before this House a Return showing: (a) The number of motor cars and trucks purchased by the Government since July 11th, 1934, or by any board or commission of the Government, the Hydro-Electric Power Commission of Ontario excepted; (b) The department, board or commission for which purchased; (c) Date of purchase; (d) Make of car or truck; (e) Type of car or truck; (f) From whom purchased, with address; (g) Purchase price; (h) Indicating which of the cars and trucks so purchased are still owned by the Government or its boards or commissions.

The motion of Mr. Challies, That there be laid before this House a Return showing: All correspondence, memoranda, telegrams, agreements or contracts

between the Government or the Hydro-Electric Power Commission, and any or all power companies relative to the export of power now being made to Massena, New York, was, with the consent of the House, withdrawn.

The motion of Mr. Challies, That there be laid before this House a Return showing: 1. What licenses have been granted by this Government for the export of pulpwood cut from Crown Lands in each of the calendar years 1937, 1938, 1939, and 1940, indicating: (a) To whom export licenses were granted, with address; (b) Number of licenses granted to each individual or firm; (c) Date of export clearances; (d) Date of Orders-in-Council authorizing; (e) Kinds and quantities of pulpwood covered by each export clearance; and (f) Value of pulpwood covered by each export clearance; (g) Other dues charged by Government. 2. State how value of pulpwood is determined. 3. What licenses have been granted by this Government for the export of all timber other than pulpwood cut from Crown Lands in each of the calendar years 1937, 1938, 1939 and 1940, indicating: (a) To whom export licenses were granted, with address; (b) Number of licenses granted to each exporter; (c) Date of export clearances; (d) Date of Orders-in-Council authorizing; (e) Kinds and quantities of timber covered by each export clearance; (f) Value of timber covered by each export clearance; (g) Other dues charged by Government. 4. State how value of timber is determined. 5. What was the total value of (a) pulpwood and (b) timber cut from Crown Lands and exported in the calendar years 1937, 1938, 1939 and 1940, was, with the consent of the House, withdrawn.

Mr. Drew moved, seconded by Mr. Welsh,

That in the opinion of this Legislature the administration and control of the forest resources of this Province should be placed under the direction of a public body to be known as the Ontario Forest Resources Commission, organized along similar lines and with similar powers to those of the Ontario Hydro-Electric Power Commission.

And a Debate having arisen,

After some time the Motion, having been put, was lost on the following Division:—

YEAS

Acres	Duckworth	Macaulay
Arnott	Dunbar	Murphy
Black	Elgie	Reynolds
Challies	Frost	Spence
Cox	Henry	Stewart
Doucett,	Hepburn	Summerville
Downer	(Prince Edward-Lennox)	Welsh—22
Drew	Kennedy	

NAYS

Anderson	Fletcher	MacKay
Ballantyne	Freeborn	Mercer
Bégin	Gardhouse	Miller
Belanger	Gordon	Murray
Bethune	Guthrie	McQuesten
Bradley	Habel	Newlands
Brownridge	Hagey	Nixon
Carr	Haines	(Brant)
Cholette	Heenan	Nixon
Conacher	Hepburn	(Temiskaming)
Conant	(Elgin)	Oliver
Cooper	Hipel	Patterson
Croome	Kelly	Sinclair
Dewan	King	Smith
Dickson	Kirby	Strachan
Elliott	MacGillivray	Trottier—46
Fairbank		

On motion by Mr. Hepburn (Elgin), seconded by Mr. Nixon (Brant),

Ordered, That the full Sessional Indemnity be paid to those members of the Assembly whose services with the defence forces of Canada prevented their attendance and also to those members absent on account of illness or other unavoidable cause; and that the Sessional Indemnity of Mr. Campbell (Sault Ste. Marie) and Mr. Croll (Windsor-Walkerville) be paid to the wives of the two members named.

In respect to Question (No. 152), regarding agreements for construction of pulp mills,

The Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Black, seconded by Mr. Henry, it was

Ordered, That there be laid before this House a Return showing: 1. How many agreements have been signed between the Government and companies, firms or individuals, requiring the construction of pulp mills in the Province of tario since January 1st, 1936. 2. Give names of companies, firms or individuals and type of mill, capacity, proposed location and date when mill to be completed in each case. 3. Which of the mills have been constructed. 4. which of the mills are under construction. 5. Which of the contracting companies, firms or individuals are in default with respect to their agreements to build mills, giving default date and particulars of default in each case.

In respect to Question (No. 153), regarding architects employed on Ontario Hospitals,

The Hon. Mr. Hepburn (Elgin) requested that this Question be made an Order for a Return and on the motion of Mr. Kennedy, seconded by Mr. Challies, it was

Ordered, That there be laid before this House a Return showing: 1. In connection with the Ontario Hospitals at St. Thomas, Port Arthur and Brampton, and in connection with additions or extensions at the Ontario Hospitals at Woodstock and New Toronto: (a) What outside architects were employed and what amount was paid to each by the present Government and what amounts are still due or claimed; (b) Give the same information in relation to employment of superintending engineers.

The Provincial Secretary presented to the House, by command of the Honourable the Lieutenant-Governor:—

Return to an Order of the House dated April 9th, 1941, That there be laid before the House a Return showing: 1. What lands have been acquired to provide for construction of approaches or other works in connection with the Rainbow Bridge at Niagara Falls, indicating: (a) Description of each parcel acquired; (b) From whom each parcel was acquired; (c) Purchase price of each parcel acquired; (d) Whether acquired by mutual agreement or by expropriation; (e) Who acted for the Government or any Department, Commission or other agency of the Government in fixing valuations for lands acquired; (f) What buildings or other structures were located on each parcel and what disposition was made of such buildings or structures, to whom and under what terms. (*Sessional Papers No. 58.*)

Also, Report upon the Ontario Training Schools for year ending March 31st, 1941. (*Sessional Papers No. 59.*)

Also, Report upon the Prisons and Reformatories of the Province of Ontario for year ending March 31st, 1941. (*Sessional Papers No. 18.*)

Also, Report of the Milk Control Board of Ontario for year ending December 31st, 1940. (*Sessional Papers No. 60.*)

Also, Report of the Statistics Branch, Department of Agriculture, Ontario, for year 1940. (*Sessional Papers No. 22.*)

Also, Report of the Ontario Veterinary College for the year 1940. (*Sessional Papers No. 29.*)

Also, Report relating to the Registration of Births, Marriages and Deaths in the Province of Ontario for year ending December 31st, 1940. (*Sessional Papers No. 13.*)

Also, Report of the Department of Education, Ontario, for the twelve months ending October 31st, 1940. (*Sessional Papers No. 11.*)

Also, Report of the Minister of Agriculture, Ontario, for the year ending March 31st, 1940. (*Sessional Papers No. 21.*)

Also, Report of the Registrar of Loan Corporations for year ending December 31st, 1940. (*Sessional Papers No. 7.*)

Also, Report of the Superintendent of Insurance for the year ending December 31st, 1940. (*Sessional Papers No. 6.*)

Also, Report on the Hospitals and Sanatoria of the Province of Ontario for year ending December 31st, 1940. (*Sessional Papers No. 16.*)

Also, Report of the Department of Municipal Affairs for the Province of Ontario for the year ending March 31st, 1941. (*Sessional Papers No. 31.*)

Also, Report of the Department of Mines for year ending March 31st, 1941. (*Sessional Papers No. 4.*)

Also, Report of the Ontario Municipal Board to December 31st, 1940. (*Sessional Papers No. 24.*)

Also, Report of the Department of Highways for fiscal year ending March 31st, 1940. (*Sessional Papers No. 32.*)

The Honourable the Lieutenant-Governor entered the Chamber of the Legislative Assembly and being seated upon the Throne,

Mr. Speaker addressed His Honour in the following words:—

May it please Your Honour:

The Legislative Assembly of the Province has at its present Sittings thereof passed several Bills to which, in the name and on behalf of the said Legislative Assembly, I respectfully request Your Honour's Assent.

The Clerk Assistant then read the titles of the Acts that had passed severally as follows:—

The following are the titles of the Bills to which Your Honour's Assent is prayed:—

An Act respecting the City of Ottawa.

An Act to Incorporate the Society of Cost and Industrial Accountants of Ontario.

An Act respecting the London Street Railway Company and the Corporation of the City of London.

An Act respecting the Rockwood Town Hall.

An Act respecting the Town of Orillia.

An Act respecting the City of Port Arthur and the Public Utilities Commission of Port Arthur.

An Act respecting the Township of West Gwillimbury.

An Act respecting the Village of Swansea.

An Act to Incorporate Malton Water Company.

An Act respecting National Steel Car Corporation, Limited.

An Act respecting the City of Toronto.

An Act respecting the County of Carleton and the University of Ottawa.

An Act respecting Appleby School.

An Act respecting certain Lodges of the Grand Lodge of Ontario, Independent Order of Oddfellows.

An Act to Incorporate the Daughters of the Empire Hospital for Convalescent Children.

An Act respecting the Board of Trustees of the Roman Catholic Separate Schools for the City of Toronto.

An Act respecting St. George's Church, Guelph.

An Act respecting a Trust Settlement of the late Peter Birtwistle and the Corporation of the Borough of Colne (England).

An Act respecting the City of Windsor.

An Act respecting the City of Sudbury.

An Act respecting the Town of Timmins.

An Act respecting the County of Waterloo and the Cities of Kitchener and Galt.

An Act respecting Royal Botanical Gardens.

An Act to amend the Legislative Assembly Act.

An Act to amend The Sheriffs' Act.

An Act to amend The Administration of Justice Expenses Act.

An Act to amend The County Judges Act.

- The Mortgagors' and Purchasers' Relief Act, 1941.
- An Act to amend The Surrogate Courts Act.
- An Act to amend The Registry Act.
- An Act to amend The Devolution of Estates Act.
- An Act to amend The Public Health Act.
- An Act to amend The Private Hospitals Act.
- An Act to amend The Plant Diseases Act.
- An Act to amend The Wolf Bounty Act.
- An Act to amend The Judicature Act.
- An Act to amend The General Sessions Act.
- An Act to amend The Collection Agencies Act.
- An Act to amend The Partnership Registration Act.
- An Act to amend The Magistrates Act.
- An Act to amend The Real Estate Brokers Act.
- An Act to amend The Conditional Sales Act.
- An Act to amend The Costs of Distress Act.
- An Act respecting Bailiffs.
- An Act to amend The Companies Act.
- An Act to amend The Summary Convictions Act.
- An Act to confirm Tax Sales.
- An Act to amend The Highway Traffic Act.
- An Act to amend The Mental Hospitals Act.
- An Act respecting the Subsidizing of Cheese and Hogs produced in Ontario.
- An Act respecting the Rainbow Bridge.
- An Act to amend The Jurors' Act.
- An Act to amend The Venereal Diseases Prevention Act.

An Act respecting British Child Guests.

An Act to amend The Northern Development Act.

An Act to amend The Railway Act.

An Act to amend The Agricultural Representatives' Act.

An Act to amend The Milk and Cream Act.

An Act to amend The Mining Act.

An Act to amend The Sanatoria for Consumptives Act.

An Act to amend The Mining Tax Act.

An Act to amend The Natural Gas Conservation Act.

An Act respecting Relief to Municipalities regarding Hydro-Electric Railways.

An Act to ratify and confirm a certain Agreement entered into between His Majesty the King and The Algoma Central and Hudson Bay Railway Company.

An Act to amend The Income Tax Act (Ontario).

An Act to amend The Corporations Tax Act, 1939.

An Act to amend The Bees Act.

An Act to amend The Milk Control Act.

The School Law Amendment Act, 1941.

An Act to amend The Power Commission Insurance Act.

An Act to amend The Division Courts Act.

An Act to amend The Temiskaming and Northern Ontario Railway Act.

An Act to amend The Securities Act.

An Act to amend The Cemetery Act.

An Act to amend The Public Service Act.

An Act to amend The Highway Traffic Act.

An Act to amend The Beach Protection Act.

An Act to amend The Ontario Municipal Board Act.

An Act to amend The Surveys Act.

An Act to amend The Local Improvement Act.

The Statute Law Amendment Act, 1941.

An Act to amend The Department of Municipal Affairs Act.

The Municipal Amendment Act, 1941.

The Assessment Amendment Act, 1941.

An Act respecting a certain Bond Mortgage made by the Abitibi Power and Paper Company Limited, to the Montreal Trust Company.

An Act for raising money on the Credit of the Consolidated Revenue Fund.

To these Acts the Royal Assent was announced by the Clerk of the Legislative Assembly in the following words:—

“In His Majesty’s name, His Honour the Lieutenant-Governor doth assent to these Acts.”

Mr. Speaker then said:—

May it please Your Honour:

We, His Majesty’s most dutiful and faithful subjects, the Legislative Assembly of the Province of Ontario, in Session assembled, approach Your Honour with sentiments of unfeigned devotion and loyalty to His Majesty’s person and Government, and humbly beg to present for Your Honour’s acceptance a Bill intituled, “An Act for granting to His Majesty certain sums of money for the Public Service of the financial year ending the 31st day of March, 1942.”

To this Act the Royal Assent was announced by the Clerk of the Legislative Assembly in the following words:—

“The Honourable the Lieutenant-Governor doth thank His Majesty’s dutiful and loyal Subjects, accept their benevolence and assent to this Bill in His Majesty’s name.”

His Honour was then pleased to deliver the following speech:—

Mr. Speaker and Gentlemen of the Legislative Assembly:

As you have completed your Sessional duties, I am now able to relieve you of further attendance and, in doing so, I wish to express my appreciation for the services you have rendered.

During the Session, we were all shocked to hear of the death in the course of duty of Sir Frederick Banting. No words from me can express our profound

sense of loss at the passing of this native son of Ontario, whose development of insulin for the treatment of diabetes ranks amongst the greatest discoveries of medical science. His death is a loss, not only to Canada but to the world. It was very fitting that this Legislature, which made financial provision for continuing Dr. Banting's research work, should adjourn for a day in a tribute to his memory.

The effect of the war is noticeable in some of the legislation you have passed, particularly with respect to the subsidies you have provided for cheese and hogs. Great Britain now depends very materially on Ontario for bacon and cheese and my Ministers deemed it absolutely imperative that supplies should not fall off at a time when the costs of production were rising far more rapidly than the prices our farmers were receiving for their produce. I am confident that our citizens generally will accept cheerfully this common contribution to the war effort and that the people of Great Britain will appreciate the step you have taken. The offer to turn over to the Dominion Government certain buildings at the Ontario Agricultural College constitutes a further contribution by the Province to the war effort.

I was pleased to note, that information presented to the House by the Minister of Labour indicated that during the past year time lost in Ontario due to strikes had been reduced to only a small fraction of previous years. Both employers and employees are to be commended for the good will they have shown in co-operating with the Department to this end, at a time when production is so vital for war purposes. During the Session, many of you had the opportunity of visiting the Aircraft School at Galt and seeing the extent of the work being carried on there, which has served as a model for similar projects in other provinces.

Several of the recommendations of the Select Committee appointed to enquire into the administration of justice, have been made effective by amendments to various statutes. These will help to simplify procedure and improve practice in the civil and criminal courts and will bring about certain economies in dealing with the ever-increasing amount of business coming before the courts. The law has been altered to make more generous provisions for the widow from the estate of a man who dies without making a will.

As I intimated at the opening of the Session, the finances of the Province are in a very satisfactory condition. This was demonstrated by the record surplus presented in the Budget of the Provincial Treasurer. I wish to thank you for the financial provision you have made for carrying on the affairs of the Province during the next twelve months. It is encouraging to know that this provision will be made without recourse to borrowing, except for refunding maturing issues, and that a surplus of receipts over all expenditures is again anticipated.

In closing, may I say that no one can be unmindful that throughout your debates there has been emphasized that essential unity which, during time of war, knits the people of this Province so closely together. As a citizen of Ontario I have been more than gratified by this evidence of co-operation while, as the representative of His Majesty the King, I am proud indeed of this spirit of loyalty and devotion. It is this same spirit which will ensure our final victory. The way may be long and hard, but there are signs which indicate the progress being made. While you have been in Session, the Congress and Senate of the United States

have voted decisively for unrestricted aid to our cause and the great President of the Republic has declared that this support will continue until the blackout of barbarism has been lifted. That stirring message brought renewed hope and confidence, not only to those who are fighting the battle of freedom by land, on sea and in the air, but to the nations now suffering oppression. For us, that message had a deeper significance when it was supplemented by inspiring addresses in this Assembly by Senator Claude Pepper and later by Mr. Wendall L. Willkie, Republican Candidate in the recent Presidential election in the United States. To these high-minded and eminent leaders of American public opinion, we cannot be sufficiently grateful and they helped to strengthen our resolve that the dark ages of tyranny and slavery shall not return to the earth. With faith in our cause and the stern voice of duty as our guide, let us all in the coming months devote ourselves in whatever ways we can to the great crusade in which the free democracies of the world are joined and, in the end, under Divine Providence, victory will be ours.

The Provincial Secretary then said:—

Mr. Speaker and Gentlemen of the Legislative Assembly:—

It is the will and pleasure of The Honourable the Lieutenant-Governor that this Legislative Assembly be prorogued and this Legislative Assembly is according prorogued.

Journals of the Legislative Assembly

PROVINCE OF ONTARIO

1941

APPENDIX No. 1

Final Report and Proceedings of the Select Committee of
the Legislative Assembly appointed to inquire into
the Administration of the Department of Lands
and Forests

MEETINGS FROM APRIL 22ND, 1940 TO MAY
7TH, 1940, INCLUSIVE

Session of 1941

For Proceedings of Meetings from December 1st, 1939 to
February 24th, 1940, see Journals of 1940

REPORT OF THE SELECT COMMITTEE

To the Honourable the Legislative Assembly of the Province of Ontario:

GENTLEMEN:

Your Select Committee appointed on April 27th, 1939, to inquire into the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests, begs leave to report that it has completed its deliberations and herewith presents its report which contains the views and recommendations of a majority of the Committee and also the views and recommendations of a minority of the Committee, and recommends that the report be printed as an appendix to the Journals of the House.

All of which is respectfully submitted.

J. M. COOPER,
Chairman.

Committee Room,
April 8th, 1941.

Report of the Select Committee appointed to investigate,
inquire into and report upon all matters pertaining to
the administration, licensing, sale, supervision and
conservation of natural resources by the
Department of Lands and Forests.

MAJORITY REPORT

REPORT OF THE SELECT COMMITTEE APPOINTED TO INVESTIGATE, INQUIRE INTO AND REPORT UPON ALL MATTERS PERTAINING TO THE ADMINISTRATION, LICENSING, SALE, SUPERVISION AND CONSERVATION OF NATURAL RESOURCES BY THE DEPARTMENT OF LANDS AND FORESTS

The Select Committee of the Legislature appointed to investigate, inquire into and report upon all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests begs leave to submit the following report:

Upon the motion of Mr. G. A. Drew, seconded by Mr. L. A. Macaulay, it was ordered on the 18th day of April, 1939:

"That a Select Committee of this House be appointed to investigate, inquire into and report upon all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests."

Pursuant to the above resolution, it was further ordered on motion of Mr. M. F. Hepburn, seconded by Mr. H. C. Nixon, on the 27th day of April, 1939:

"That the Select Committee of this House authorized by the House on the 18th instant to investigate, inquire into and report on all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests be constructed as follows and be authorized to sit during the recess of the House: Mr. Leduc, Chairman, and Messrs. Campbell (Sault Ste. Marie), Cooper, Drew, Elliott, Nixon (Brant), Nixon (Temiskaming), Oliver, Spence and Welsh."

In accordance with the above resolutions, the Select Committee initiated its proceedings on the 1st day of December, 1939, at which all members were present with the exception of Mr. Campbell (Sault Ste. Marie) who was on active service with His Majesty's forces.

The Select Committee under date of December 1st, 1939, resolved:

"That the Chairman of this Committee do ask the House to appoint an additional member to the Committee in the place and stead of the Honourable Colin A. Campbell, now on active service, and also for leave for the Committee to sit concurrently with the House, and to ask also that power be given to the Committee to summon witnesses and to order the production of documents."

Mr. Leduc presented the first report of the Select Committee to the House on the 10th day of January, 1940, which was read and adopted.

On the same day it was ordered by the House:

"That the name of Mr. Heenan be substituted for the name of Mr. Campbell (Sault Ste. Marie) in the list of members named by this House on Thursday, April 27th, 1939, to constitute a Select Committee as authorized by the House on Tuesday, April 18th, 1939, to investigate, inquire into and report on all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests."

And

"That the Select Committee shall have full power and authority to call for persons, papers and things, and to examine witnesses under oath, and the Assembly doth hereby command and compel the attendance before the said Select Committee of such persons and the production of such papers and things as the said Select Committee may deem necessary for any of its proceedings or deliberations, for which purpose the Honourable the Speaker may issue his warrant or warrants."

On February 20th, 1940, Mr. Leduc presented an interim report which was adopted by the House, dealing with the calling of a conference by the Minister of Lands and Forests on the utilization of forest resources, and further, dealing with the amending of Statutes to permit the export of peeled pulpwood from lands patented as railway subsidies, or the empowering of the Minister of Lands and Forests to authorize the export of such pulpwood on an annual permit basis under Departmental regulations.

On February 24th, 1940, a further interim report was presented by Mr. Leduc, declaring that the Committee had held twenty meetings, and requesting the House for permission to continue its sittings during the recess. Accordingly it was resolved by the House:

"That the Select Committee of this House, appointed by the House on Tuesday, April 18th, 1939, to investigate, inquire into and report upon all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests, is hereby authorized to sit during the recess following the present Session of this Assembly."

On April 22nd, 1940, the Select Committee resumed its sittings and continued until May 7th, 1940, twelve sittings being held and a considerable amount of evidence with regard to the subject matter was submitted to the Committee.

On May 7th, 1940, the sittings of the Select Committee were adjourned *sine die*, to be reconvened at the call of the Chair.

Under date of October 9th, 1940, the resignation of Mr. Leduc as a member of the Legislative Assembly was presented to and accepted by the Executive Council. Accordingly it became necessary to appoint in his place and stead an Acting Chairman, and at the request of the members of the Select Committee

a meeting was convened on the 20th day of November, 1940, at which Mr. J. M. Cooper was appointed Acting Chairman of the Select Committee.

The Select Committee now submits its report in the following manner:

The Committee, in the course of its Sittings, heard detailed and lengthy evidence relating to the administration of the Department of Lands and Forests and the methods employed by that Department in dealing with those natural resources of the Crown which are entrusted to its administration. In this report reference will be made to the many matters specifically referred to in the evidence before the Committee, including briefs, letters, maps, photographs and photo-static prints, statistical surveys, pamphlets and publications, as also other representations received by mail and filed as exhibits.

Evidence was submitted to the Committee showing the original development of the Department of Lands and Forests and the methods of procedure in administering its affairs.

The Statute constituting the old Crown Lands Department was passed over one hundred and ten years ago, and during that long span of years the handling of the natural resources largely devolved upon this Department. In the early days colonizing the land, road building, the handling of timber, controlling the mines and minerals, protecting the wild life and the dealing, generally, with all matters pertaining to the rivers, streams and water powers of the country were comprised within the functions of the Department. Later on, with the expansion of settlement in Northern Ontario, the Department, through its Minister, was entrusted with the administration of the special Statute known as The Northern Development Act.

As population increased and the frontiers were moved northward additional demands were made upon the Government and it was found necessary from time to time to create new Departments to provide essential services. The terminology "Crown Lands" in turn was changed to "Lands and Forests", and this in turn to "Lands, Forests and Mines", and the latter, some twenty years ago, again changed to "Department of Lands and Forests".

From the parent Department there grew the Department dealing with Colonization Roads, the Department of Game and Fisheries and the Department of Mines, as well as the Department of Northern Development.

The Committee is cognizant of the fact that the development in this Department has extended over many decades and considers that the routine, gradually evolved as the result of years of experience, should not lightly be disturbed. The procedure followed has proved satisfactory and eminently suitable to the proper and effective administration of the natural resources coming within the jurisdiction of the Department, and the Department should continue to keep in close touch with the changes and developments in the industries using the raw materials under the direction and control of the Crown. And further careful study should be made of the economic and other problems arising out of the war with a view to being in the best possible position to meet emergent situations.

The present Department, as the name implies, covers two outstanding and somewhat distinct units, "Lands" and "Forests".

Under "Lands" come—

- (a) Surveys, involving the running of base and meridian lines, outlining and subdividing of townships, etc.
- (b) Sales, leases, location and grants of lands for settlers and the general disposition of all Crown areas covering summer resorts, mill sites, water lots, etc.
- (c) Water powers and the leasing of same for commercial and industrial purposes.
- (d) Public Parks such as Algonquin, Quetico and Rondeau.

Under "Forests" come—

- (a) Cruising, surveying and estimating timber areas.
- (b) Selling and disposing of timber limits.
- (c) Forest Fire Protection.
- (d) Reforestation.

The Committee heard all witnesses who desired to give evidence or who were requested to give evidence in respect of the subject matters of investigation. On no occasion was it necessary to issue a subpoena for any witness but all attended voluntarily and submitted themselves to examination. In view of the fact that the greater proportion of the revenue of the Department is derived from the sale of timber, the bulk of the evidence bore upon this branch and the relations of timber operators with this branch of the Department. The Committee therefore, while recognizing the importance of land matters, will report at the outset and at greater length upon forests and timber administrations.

TIMBER ADMINISTRATION

The forest resources of the Crown in the Province of Ontario are enormous. Up to the present time over 100,000,000 acres of the forest area have been brought under the supervision and fire protection system established by the Crown and about three-quarters of this area has been surveyed. In addition to this area, there are vast tracts of land in the north country which, while they are at present neither supervised nor considered accessible for immediate utilization, yet they represent an additional tremendous reserve of forest growth which will some day provide large revenues for the Province of Ontario. In order to give an idea of the size of the forest areas of this Province, it can be stated that Northern Ontario as a whole comprises about 355,000 square miles and that it is greater in area than England, Ireland, Scotland, France and Belgium combined.

On the area at present supervised and protected by the Crown it is estimated that there are the following quantities of timber:

181,682,000 cords of spruce
26,000,000 cords of balsam
79,000,000 cords of jackpine
6,000,000,000 feet, board measure, of white and red pine
3,000,000,000 feet, board measure, of maple and yellow birch
487,000,000 feet, board measure, of other hard woods
792,000,000 feet, board measure, of hemlock

Up to December 31st, 1939, 16,042 square miles or 10,266,880 acres of forest lands were under timber license. The areas which were under pulp concessions at the same date totalled 65,307 square miles or 41,796,000 acres; only a portion therefore of the presently supervised forest regions of the Province have been allocated for cutting.

Many difficulties have been encountered in the efforts made to bring forest areas into production and in some instances the Government has assisted in providing facilities. As an illustration of what can be accomplished, the Committee desires to point out that the diversion of the waters of Long Lac into Lake Superior made available vast resources of pulpwood and of timber which had been regarded as inaccessible and therefore too costly to cut. In addition to the creation of facilities for driving timber, the Long Lac diversion also made available increased water powers which it is noted have become extremely important because of the war. The cost which is chargeable to timber operations in connection with this project has not been paid by the Government but has been assessed against and is being paid by the pulp concessionaire.

In passing, the Committee desires to point out that should the proposed diversion into Lake Nipigon of the waters of the Ogoki River now flowing into James Bay be effected, the probability is that such diversion will make available timber now unmarketable. In view of these facts the Committee believes that the participation of the Government in such worthy projects should be encouraged, and when the future offers opportunity in this respect the Government would be further justified in taking effective steps to make available inaccessible Crown timber resources.

AUTHORITY OVER TIMBER

A great deal of evidence was presented to the Committee relative to the subject of disposing of timber limits. The Committee found that a substantial portion of the timber resources of the Province had been alienated or were free from the control of the Crown. These fell into the following classifications:

- (1) Settlers' or freehold lands,
- (2) Indian lands,
- (3) Railway grants,
- (4) Veteran grants.

(1) SETTLERS' OR FREEHOLD LANDS

Wherever settlement is permitted and land is granted to settlers, the Government loses the right to deal further with the timber on the lands so

granted. The settler, immediately upon obtaining his patent, becomes the owner of the timber on the land designated in his patent, with the possible exception of pine trees, which, for many years, have been reserved in certain sections from this patent. The settler can apparently strip his land of the timber without provision or regard for a future crop. The settler is not subjected to selective cutting or any other restrictions. The Department of Lands and Forests has, it is true, spent considerable money upon an educational programme designed to bring to these and other classes of grantees methods of harvesting and foresting which are of proven value, but there is no compulsory restriction with respect to the adoption of any method. This important phase of the subject under discussion will be dealt with further by the Committee under the heading of "Reforestation".

(2) INDIAN LANDS

Indian Lands have always come under the jurisdiction of the Federal Government. Having this in mind, it is the recommendation of the Committee that a close spirit of co-operation be maintained at all times with the Department of Indian Affairs in order that some common policy in the disposition of timber may be reached.

(3) RAILWAY GRANTS

Railway grants consist of large tracts of timber lands which were given throughout the years of the Dominion's expanding industrial and railway growth, and were designed to aid and encourage the construction of railways during these years. In effect, the grants were in the nature of a subsidy granted by way of special legislation. Such grants in this Province were made to the Grand Trunk Pacific Railway, the Algoma Central Railway, and the Manitoulin and North Shore Railway Company, the latter becoming at a later date the Algoma Eastern Railway Company. Once these conveyances were completed, the Government lost its control over the timber on the lands contained in the Grant. While it may not be possible to frame a recommendation of the Committee in this respect, it is the Committee's desire to express its thought in this matter; wherever possible, and if practical to do so, the Government should endeavour to reacquire these lands with the ultimate purpose of being better able to make effective a consistent timber policy throughout the Province. In a subsequent part of this Report, the Committee will deal further with this, under the heading of "Administration by Commission".

(4) VETERAN GRANTS

Following the Boer War a gratuity of 160 acres of land for services rendered was granted to those who had served in the War. This Gratuity was later extended to apply to Veterans of 1866 and resulted in the granting of some 16,000 Certificates for land allotment. Large areas were thus alienated and in some districts extend over groups of townships. The timber included in these grants is now out of the control of the Government and is in a position similar to that on the areas held and controlled by the Railways.

While the Committee would, in the interests of the forest resources of the Province, prefer to see some general policy with regard to the cutting of timber which would embrace all parties so engaged, individual or corporate, it is to be

pointed out that virtually all of the grants made in the above instances, and particularly those grants made to railways, have been long since granted. The situation which is therefore discussed by the Committee at this point is no new situation, and is not to be imputed to any existing Department. In true fact, the principle which motivated the grants to railways contained, at that time, much merit, and the Committee intends to refrain from any discussion of the grants as such. Its purpose, at the moment, is to point out its desire that such railway subsidy lands, where possible and practical, be reacquired, and thus be brought within a general and effective plan of conservation and supervision of forest resources.

THE IMPORTANCE OF THE FOREST PRODUCTS INDUSTRY

As a necessary preliminary to a discussion of the different branches of the forest products industry it is felt that something should be said in reference to the importance of the industry as a whole in the economic and social life of Canada. The best manner in which to exemplify the place of this great factor in the national life is to compare it with other industries which are generally recognized as of paramount value to Canada. Everyone will admit that the wheat crop of the West and the gold produced from our mines have played great roles in bringing about the prosperity and well-being of the nation. Yet it has been established in evidence before the Committee that the part of the forest products industry has been equally vital in importance. It may come as a surprise to many to know that in the year 1937 the total value of forest products exported from this country was placed at \$190,068,000.00, and that for the years 1938 and 1939 the value of newsprint alone which was exported exceeded the value of wheat exports by an average of slightly over ten million dollars in each year, and newsprint was second only to gold in its value to this country for the period mentioned.

The forest products industry has an important position in Ontario because our forests constitute one of the chief assets of the Province. Again, evidence was given to the effect that ninety per cent of the newsprint industry of Canada was located in the Provinces of Ontario and Quebec, and it is estimated that the newsprint mills use 40 to 50 percentum of total power consumption in the two provinces. By direct employment newsprint mills alone support a population equivalent to the total combined populations of Chicoutimi, Granby, Kingston, Belleville, St. Hyacinthe, Guelph, St. Jerome, Sherbrooke, St. Thomas, Stratford, Valleyfield, Sarnia, Hull, Peterborough, Sorel, Levis and Sudbury.

If, therefore, it can be said that one branch of the industry is of such great importance to Ontario and Quebec, it can be readily understood that the entire forest products industry in the two provinces is of major significance. Not only does it supply direct employment to a large number of workers, but it uses the goods and wares of many other industries. It should be emphasized that the forests products industry is one which is not passing from the scene. In the opinion of the Committee the importance of wood and wood products in industry is increasing rather than diminishing, and new uses for wood are being constantly discovered.

The circumstances just related have to do with private enterprise, and the Committee feels that it should say something as to the position of the Depart-

ment of Lands and Forests, which is the guardian of the great public supply of raw materials necessary to support all branches of the forest products industry. The chief concern which must actuate all dealings by the Department in reference to Crown timber is to put, as far as practicable, the accessible commercial forests of the Province on a sustained yield basis, and to supply adequate protection and supervision to prevent the devastating inroads of fire and pest. In using the term "sustained yield basis" the Committee has in mind the general forestry principle of cutting timber within the limits of the estimated annual growth or increment of a given forest area. In this fashion a perpetual crop, and therefore a lasting revenue to the Crown will be ensured.

DIVISION OF FOREST PRODUCTS INDUSTRY

The Timber industry may be classified in three main divisions:

1. The saw-log or lumbering industry.
2. The pulpwood industry.
3. The pulp and paper industry.

One of the most important developments which has taken place in the economic life of Canada since the turn of the century has occurred in the pulp and paper industry. This country has been favoured with great stands of spruce, balsam and other species and pulpwood which are readily accessible to the waters of the Great Lakes, whence they can be cheaply transferred to domestic and export markets. At the time that we speak of the pulp and paper industry and the prominence which it has attained, we should not be unmindful of the great role played by its fellow, the saw-log or lumbering industry is rooted in our history, and there are few Canadians indeed who have been stirred by the tales which have come down to us from the times when the great forests of Southern Ontario were yielding to the bushman's axe. It is interesting to note that while more stress may seem to be laid on the pulp and paper branch of the forest products industry, nevertheless lumbering is being and will be carried on vigorously. As a Committee, we feel that any erroneous impression which may arise that this, the senior branch of all forest operations, has lost in its importance in the Province of Ontario should be dispelled, for such is not the case; it still waxes strong and vigorous, and it is making a notable contribution, along with other industries, in the war effort of this country.

Out of the development of the pulp and paper industry and the continued importance of the saw-log or lumbering industry, there has arisen at times a conflict of interest between the pulpwood operators and the saw-log operators. The former are usually pulp and paper companies who have obtained under long-term concession agreements the right to cut certain, but not necessarily all, species or classes of pulpwood and saw-log timber on a given area of land. The latter usually have acquired by public competition the right to cut and remove the saw-log timber, and at times the pulpwood and fuelwood on a given area, subject to the terms of the advertised Conditions of Sale. In the case of the saw-log operator his right to cut and remove the timber continues for the period stipulated in the Conditions of Sale may be renewed. In the case of the pulpwood concessionaire his rights usually extend for a period of twenty-one years and may be renewed in accordance with the terms of his agreement with the

Crown or pursuant to the provisions of the Crown Timber Act Regulations. Now, while it is generally conceded by both technical and practical foresters that the best plan in a timber operation would be to have a single interest responsible for the cutting of all types of timber and of taking the run of the forest, this is not always possible due to the special requirements of different classes of operators who may be interested only in particular species of timber. Operators are jealous of their respective interests, and when, therefore, rights to cut various kinds or classes of timber have been granted to two or more different operators on the same area of forest land and operations are sought to be carried on simultaneously by two or more of such parties so that it can be said that there is actually a dual operation about to commence or that it has commenced, it rests with the Department of Lands and Forests to see to it that the operation of each party is carried on with proper consideration for the rights of interest of the other, and this will include not only supervision of bush operation but also of driving the streams on the watershed. That dual operations do create problems, it is generally conceded, but the advantages to be gained thereby outweigh the difficulties occasioned, since they represent in themselves the practical application of proper forestry principles, which recommend the cutting and utilization of the run of the forest. From the standpoint of the Crown it can be said that wherever a dual operation has been installed the Department has the benefit of the additional revenue in Crown dues and bonuses on kinds or classes of timber which might otherwise have gone to waste. As it has indicated before, where it is not possible to have one operator responsible for the harvesting of all kinds of classes of timber on a given forest area, the Committee recommends the practice of permitting dual operations.

SAW-LOG OR LUMBERING INDUSTRY

Only a few witnesses appeared before the Committee to give evidence exclusively upon the saw-log or lumbering industry. General reference was made to the many activities of this branch of the forest products industry, and to its diversified products. To mention one or two, it may be pointed out that log timber is being cut for heavy structural purposes, and to meet general building needs. Representatives of the tie-cutting branch gave evidence as to the nature and extent of their business, which is of great importance, and they also pointed out certain disabilities and difficulties under which they have laboured, and to which reference will be made hereinafter. Another aspect of the lumbering industry which has become quite prominent with the development of mining has been the supplying of timber for use in the mines and to meet the general requirements of mining camps. Another problem to which reference is already made was brought out in the evidence of the lumber operators, and that is the absolute necessity of providing adequate timber in watersheds which are in close proximity to established mills so that their continued existence may be ensured.

A reference to exhibits submitted discloses that there are existent in the Province of Ontario at the present time, actually held under license from the Department of Lands and Forests, over 1,200 saw-mills. From this it can be readily seen that the saw-mill branch of the great forest products industry is of a very extensive character and makes an important contribution to the industrial and commercial wealth of the Province and of the nation.

THE PULPWOOD INDUSTRY

In classifying the forest products industry the Committee for the sake of convenience has made a separate category out of the cutting of pulpwood. This was done in order to differentiate between the pulp and paper companies which usually have long-term concessions of pulpwood on Crown Lands from the pulpwood jobbers whose activities were most marked during the period of the depression from 1935 onwards when unemployment conditions amongst bush workers caused the Government to lift the ban upon the exportation of pulpwood. Pulpwood cut by jobbers could be either supplied to domestic mills or under the supervision and control of the Department could be exported to the United States for use by American mills whose products were not competing with the products of Canadian mills.

EXPORTATION OF PULPWOOD

The exportation of pulpwood cut from Crown lands was studied at some length. The practice of permitting such exportation has existed for many years, during part of which period it was permitted under a system of substitutional clearances.

In the year 1935 the unemployment situation amongst bush workers had attained such proportions that the Government undertook an expansion of the export privileges which resulted in giving gainful employment to large numbers hitherto on relief and in providing a substantial increase in foreign exchange. This expansion, with its beneficial results, proceeded without any loss to or interference with established industries of the Province. The Committee has considered with the utmost care the problem of exportation of pulpwood, and it is fully mindful of all phases of the matter. The Committee expresses itself of the opinion that it would indeed be more beneficial to the Province, having regard to all the circumstances, if all of the native pulpwood could be converted into pulp, paper and other forest products prior to exportation, and it therefore recommends that as and when local pulp, paper and other forest industries are created to take advantage of the use of pulpwood, the exportation of the raw pulpwood should be proportionately diminished. Certain observations with respect to the problem of exportation are necessary. From the statistics brought forward in evidence, it appears that the natural yield of the commercially accessible forest areas of the Province is not yet being utilized completely; in other words, the forest is still producing, each year, more than is being consumed. Furthermore, the Committee considers that in a national emergency such as the present, when a balanced trade and foreign exchange are vital, the export of pulpwood to the United States, subject to the foregoing recommendation, should be continued. It is to be noted that there are in existence in the Thunder Bay District alone, according to estimates, about 40,000,000 cords of mature spruce and balsam. In order to make room for new growth, it is preferable that this wood should be harvested. The export of pulpwood has in fact given employment to men who would otherwise have been idle and would have been in need of maintenance by Government assistance. The Committee desires to call attention to evidence which was given to the effect that the American markets across the waters of the Great Lakes, to which

Ontario pulpwood could be shipped, have within their vicinity mills which utilize approximately 3,000,000 cords of pulpwood per annum, and hence it can be seen that the amount of pulpwood cut from Crown lands which has been exported in the various years would not supply more than one-tenth of the requirements of these mills on the average.

Considerable evidence was given in respect of the District of Thunder Bay, which, it is generally conceded, contains one of the finest stands of pulpwood to be found in Canada. Over and above the mature timber, which can be harvested immediately, it is estimated that the annual increment or growth is sufficient to enable the harvesting in each year from lands controlled by the Crown of 742,000 cords of spruce and balsam pulpwood. The first call on this crop is to supply domestic industries. Thereafter out of the surplus such quantities of pulpwood as are contracted for, and for which permits have been granted under the Crown Timber Act and regulations, can be exported. The following comparison of figures for 1937 which were given in evidence, may assist to exemplify the situation in respect of export in the Thunder Bay District:

1937	Cords	Cords
Permissible cut of spruce and balsam.	742,000	
Spruce and balsam used by domestic mills.		425,715
Spruce and balsam exported from Crown lands. . .		218,067
Nett excess over exports and consumption.		98,218
	<hr/> 742,000	<hr/> 742,000

It can be seen, therefore, that if the entire requirements of the local mills had been filled with pulpwood cut from Crown lands during 1937, there would still be approximately 100,000 cords which could have been harvested and used without impairing or depleting the forest. In point of fact, however, about 23 per cent of the requirements of the local mills was supplied from private lands or lands not controlled by the Crown, and therefore it can be readily seen that there was an additional surplus of 110,000 cords of the annual permissible cut over and above the amount consumed at home and that exported.

A passing reference may be made to the inferior types of pulpwood, such as jackpine, poplar, balm of gilead and hemlock, of which there are vast stores in the Province of Ontario, much of which is mature and should be harvested. With the development of the kraft pulp and paper industries, the harvesting of these inferior species has become a profitable enterprise. Such pulpwood is not used in the production of newsprint, which demands the superior woods, spruce and balsam. There are very few kraft industries in Ontario, and the evidence has tended to show that their markets are not affected by the exportation of pulpwood, since the American mills themselves are supplying American markets with their requirements. In other words, Ontario kraft mills are producing for home or overseas consumption, and have not as yet found a place in the American market to any great extent.

The Committee freely avows that it is difficult, if not impossible to formulate any hard and fast rule to govern the exportation of pulpwood. But it finds as a fact that the exportation of spruce and balsam pulpwood from Crown lands which has been carried on into the year 1940 has not been prejudicial

to the Canadian mills. Evidence was given as to an embargo, apart from certain rights, placed on the exportation of pulpwood cut from Crown lands from 1929 to 1935, which it was expected would force American interests to establish new industries in this Province, and it should be noted that during the period mentioned not one mill was erected as a result of this embargo.

The Committee is fully alive to the fact that the ideal condition in reference to pulpwood would be to have the annual permissible cut from Crown lands in the Province utilized in domestic mills. However, this has not been possible up to the present time, since after the requirements of the various industries have been met there is still a great amount of pulpwood available which should be harvested like any other crop rather than permit it to remain uncut and become over-mature and lose its commercial value.

If, therefore, there is no market at home for this pulpwood, it is logical to seek markets abroad, always looking to the day when, by the initiative of the men who guide the forest products industries in this country, the requirements of domestic users will be increased to the point where it will be possible to completely utilize Ontario wood at home.

Certain evidence was presented, with reference to southern pine, which during the past few years have been brought to commercial value in the southern United States. The comparative quality of southern pine is inferior to that produced from Ontario pulp, but the Committee is of the opinion that the prohibition of pulpwood exportation would lend encouragement to the use of southern pine, of which there appears to be an abundance to provide a great part of the needs of the United States mills, due to its quantity and to its rapid rate of regrowth, as compared with the forests of Ontario. The evidence in this respect ended toward individual opinion on the possibility of southern pine coming into active and serious competition with Ontario spruce and balsam. The Committee considers, on evidence adduced, that the product of southern pine does not possess the quality of that produced from Ontario spruce and balsam, but the Committee is also aware of the possibility of further perfection of the southern pine product. A tree of southern pine variety will grow large enough for pulpwood use in approximately seventeen years, whereas it requires many years longer for Northern Ontario spruce to do so, although this difference is somewhat reduced by the fact that the yield texture content of the Northern Ontario spruce is higher than the faster growing southern pine. With this in mind, the Committee considers that any move or any policy having as its principle the determination of exportation out of the Province, should be shaped and created with full and absolute regard for the competition which has existed, and which, by reason of war, may be said to be temporarily removed, and with further regard for competition which, while not yet a full factor, may become a great consideration in the eventual disposition of Ontario's forest produce. The Committee believes that any policy which fails to give full effect to these considerations and which views only the opportunity of the moment, might, in time, act as a serious and an unfortunate consequence to the interests of a great industry. The chief market for Ontario pulpwood products is decidedly in the United States, and it is the opinion of the Committee that the whole future of the industry is predicated upon sane and logical business principles and the preservation of good-will in its dealings with its principal consumer. It is realized that the establishment and the maintenance of good-will lies, in

the main, with the industry itself, and it is therefore to the industry that the Committee directs its remarks in this regard. In so far as it is within the scope of the Committee's power to recommend, it does in fact believe and does recommend that a certain amount of pulpwood should be allowed to be exported. The Committee recommends that such exportation should at no time prejudice the demands of Ontario mills, nor should it be such as to create economic disturbance and unemployment. In offering this recommendation, the Committee bears in mind that the ideal situation would be the processing of all Canadian woods in Canada and the exportation of a finished product in place of pulpwood and that it would be preferable, either through existing Canadian mills, or newly established ones, to effect in Canada the full process of manufacture; but the Committee has been permitted to consider evidence which shows that a prior prohibition upon general exportation did not result in any new mills being established in Ontario by United States interests, and, further, to consider that the desire for the ideal situation, so referred to, must be tempered with the logic of existing situations and good business principles. The Committee was unable to find such a logical answer to the question of the eventual benefit to this Province by the prohibition of the export of pulpwood; its conclusion is that harm may certainly lie in such prohibition, and that it is preferable to recommend that the future of pulpwood resources be guided away from a possible danger. Upon the subject of exportation of pulpwood, the Committee concludes its findings by recommending that the policy of the Department of Lands and Forests in permitting the export of pulpwood should be subject to review at least every year, such review to be made with due regard for domestic and foreign conditions in the pulpwood markets.

The Committee desires to draw attention to certain statistical records which were quoted in dealing with the quantities of pulpwood exported from Crown lands in Ontario. These were taken both from the records of the Department of Lands and Forests and the publications of the Dominion Bureau of Statistics, and while the figures compiled and regularly maintained by Ontario clearly indicate the quantities exported from Ontario to the United States cut from both Crown lands and those privately owned, the Dominion's figures are bulked and include quantities from provinces and other sources other than Ontario cleared through Ontario Ports of Exit. The Dominion Bureau of Statistics does not disclose the source of such quantities cut outside the Province of Ontario and exported to the United States through Ontario ports. The Committee fully recognizes the position of pulpwood which originates in one of the Provinces of Ontario and Quebec, and which is shipped from either province to the other and then exported; while shipments of this type are shown in the figures of the Dominion Bureau of Statistics as "exports", the Committee considers that these inter-provincial shipments are not to be deemed "exports" in the true sense of the word, except in the last analysis when they are actually leaving the Dominion.

The Committee realizing the full value of data compiled in respect of pulpwood exported both from privately owned and Crown lands, recommends that the Department of Lands and Forests continue to maintain the records in this regard and at the same time collaborate periodically with the Dominion Bureau of Statistics with a view to approaching a system of tabulating figures that may uniformly serve the needs of the Provincial as well as the Dominion Government.

PULP AND PAPER INDUSTRY

During the course of its sittings, the Committee devoted several days to the hearing of evidence relative to the pulp and paper industry. Representations were made on behalf of the various pulp and paper companies in the Provinces of Ontario and Quebec. By reason of such evidence, the Committee was furnished with surveys, statistics and publications which indicated the tremendous investment represented by the industry. During the years from 1929 to 1933 when the full effect of the depression was felt throughout the world, the price of newsprint dropped to such a low level that the whole industry was on the verge of collapse. Naturally pulp and paper companies were anxious to keep operating since the closing down of their mills would undoubtedly have involved a large loss and resulted in a serious social and economic problem in communities dependent upon the industry. In order to continue operating, the newsprint companies embarked on a course of price cutting until finally their product was being sold actually below cost. At this point the newsprint industry was indeed passing through distressed conditions; approximately fifty percent were operating in receivership or default, and a number of prominent companies were on the verge of this same condition. After a prolonged period of price reduction and disastrous competition at "below-cost" prices, the industry found itself burdened with an oppressive interlocking contract system by which a single seller, through a single contract, could fix the market price arbitrarily for the whole pulp and paper industry for one year or perhaps longer. The interlocking contract system was the outcome of excessive expansion of capacity, and an attempt upon the part of the manufacturers to hold their respective contracts or obtain new ones. In order to do so the various manufacturers qualified their contracts by a guarantee that their price would not be any higher than the price of certain other companies. The extreme in this regard was reached when a blanket guarantee was given that the price on a specific contract would not be greater than the price quoted by mills with a production of 100,000 tons per annum, no matter where those mills might be on the continent. The fact became obvious that the persuading of one mill to set up a new price satisfactory to the buyer, or to continue the old price for another year, necessarily set the price for the whole industry. The destructive quality of such a vicious system is seen, when one appreciates that a certain mill, engaged in the filling of a contract which permits it a bare operating profit, suddenly finds its price altered overnight by the signing of a contract between other parties who are completely foreign to the contract on which the particular mill is now engaged. That new price might spell disaster for the mill whose calculations had already been based on a narrow margin of profit. The system permitted an unscrupulous company to enter into a contract containing an unsound price, and thereby to drive down the price of all other companies and contracts containing this interlocking feature; the obligation to meet such price might well serve to send the other company or companies into bankruptcy. As stated before, this appeared to be the sad plight of the pulp and paper industry in 1935. Some effort had been made by the Provinces of Ontario and Quebec as far back as 1927 and 1928 to improve the situation but with little success. However, by 1935 it became abundantly evident that some remedy must be found; and companies, having become more amenable and more responsive to suggestions of the Governments of Ontario and Quebec, co-operated in 1935 in appointing a Committee to lay down an adequate plan of detailed distribution.

The Committee, from the evidence presented, realizes that the pulp and

paper industry has reached a turn in the road along which conditions have been in direct contrast with the unfortunate situation existing from 1929 to 1935. But the Committee is further mindful, and greatly so, that these new and better conditions which now exist, have afforded the pulp and paper industry an exceptional opportunity to guard against the possibility of those deplorable years being repeated. The Committee, in strongest language, recommends that everything be done at the earliest moment which tends toward an established, harmonized and equitable policy among the members of the pulp and paper industry. The Committee further recommends that this Province continue to offer every assistance, as it has ably done during the course of the past five years, to the industry. In as much as this matter is of interprovincial importance the Committee adds to its recommendation concerning Government assistance, the opinion that this Province should continue its co-operation with the Province of Quebec and to open negotiations with the Governments of such other Provinces as may be necessary with a view to ensuring stability of the industry in general.

PRORATION

The evidence heard by the Committee dealt in detail with the causes surrounding the difficulties through which the newsprint industry has passed; and too it brought forth the submission of various interests with respect to the remedy which lessened the ills of the industry. In the same manner, the Committee was privileged to hear representations having to do with the future, as well as the present, and the possibility of a remedy which has assisted, and will continue to assist, in the solution of the industry's problems. Proration was the remedy which was suggested by which the industry could be stabilized. Evidence tendered to the Committee bore upon the advantages and disadvantages of this system. It was not intended to be a cure-all but a preventative rather than a stimulant. The great disadvantage in the case of proration, as perhaps in the case of any other interference with competition in industry is that there is not the same incentive on the part of the company to obtain markets. The industry might well move along a course of complacency unless this situation is guarded against. But, having in mind the advantages and the disadvantages of proration, the Committee is of the opinion that proration gave to the industry stability with which to cope with its problems in an orderly and normal way. It did in fact eliminate the disastrous fratricide which broke forth between 1928 and 1935; it did serve to eliminate the treacherous interlocking contract system, and it is the belief of the Committee that proration did further prevent a serious and formidable state in the industry. The Committee has fully appreciated the fact that conditions altered to the benefit of the industry generally after the year 1936, but the chaos, the suspicion and the mistrust which existed prior to 1936 during the depressed times, could and quite probably might have reared themselves once more in a market which had become a highly competitive one, if the industry had not had the support of proration, whose effectiveness is concretely evidenced in the stability of newsprint prices obtaining in the present war crisis as against those prevailing in the open market of the Great War era.

MEANING AND APPLICATION OF PRORATION

To administer the plan of proration a Committee was appointed by the industry in the year 1935, and it began reporting to the Governments of Ontario

and Quebec in June of that year, the plan having been adopted the following year. Two methods were suggested:

- (a) Provincial quotas.
- (b) Equitable shares for each producer.

After full consideration the second method, equitable shares for each producer, was favoured; out of this arose the need of analyzing the capacity of the various mills, in order to arrive at a fair and proper distribution of tonnage. From the evidence adduced before the Committee, it appears that these ratings were reached to the satisfaction of the parties concerned, since none of the witnesses who testified advanced any complaint against the method employed in arriving at the capacity rating or the result. This seemed in itself a more than favourable commendation of the method, owing to the fact that this was the basis of the distribution of orders and that the ratings of the mills might well have created a contentious subject. Two mills in the Province of Ontario were given what is known as "zero" ratings, those mills being Sturgeon Falls and Espanola. The very plan of pro-ration consists of a determination of each manufacturer's equitable share of tonnage by his percentage of total effective capacity; in other words, if the total shipments by all mills amounted to 60% of the total efficient capacity of the industry, then each manufacturer's shipments should amount to 60% of his individual capacity.

With regard to those mills rated at "zero," it is to be pointed out that they were not in operation at the time when they were so rated. So long as these ratings continue to have effect upon these two mills so named, they cannot operate. However, according to the terms of the plan of proration, it is not the existing rating alone which bears upon the probable future of a mill or mills. It may well be that obsolescence, or high production costs might serve to keep a particular mill at a "zero" rating. The capacity of a mill or plant is the ability of the mill or plant to produce newsprint, and new equipment installed, would of itself result in new capacity and the right to be removed from a rating of "zero." Because of this, and the many situations which arise from year to year in the matter of proration, it would seem to the Committee that the capacity ratings determined by the industry through its committee, should be reviewed from time to time in the light of changing and increasing demands on the newsprint industry to supply the market. By reference to a comparison of the years 1934-1935 with the years 1938-1939 it is logical to conclude that pro-ration has undoubtedly been of benefit to the industry. Evidence showed that the same volume of shipments brought into Ontario and Quebec approximately forty million dollars of additional income. While proration in itself may not have produced this direct result of increased income, it was in fact produced by the abolition of the interlocking contract plan which acted so detrimentally upon the price of newsprint; and the interlocking contract system was destroyed, both by the energetic efforts of the Governments of Ontario and Quebec and by the harmonizing of the industry itself through more stabilized means of selling, one of which means was proration.

It is true that the investors received little, but thousands of families have benefited; mills have been improved and substantial sums have been paid to the Crown for dues. In general, the Committee realizes that private initiative is and should be paramount in the operation of any and all industry; the Com-

mittee under circumstances other than those in which the newsprint industry found itself from 1929 to 1935 would prefer that industry should operate in every way according to its individual standards of merchandising. But the Committee cannot overlook the danger and the misfortune, both to the industry and to the forest resources of the Province, which have arisen and which could arise once more, from conditions such as those which prevailed in Ontario and Quebec in those years from 1929 to 1935. Proration, from the standpoint of Government intervention, cannot be heartily endorsed, but the Committee is of the opinion that proration is not a plan which is administered by Governments, but rather a plan which is administered by the industry as a whole, through its independent committee. It is the industry and it alone, upon which the plan of proration depends for success. In the light, therefore, of the improved marketing conditions which have followed the industry's adoption of proration, the Committee recommends to the industry that proration be continued; it is the view of the Committee that it has proven to be the only and proper solution to terminate the unfair trade practices which were existing, and to protect our timber resources. The industry needs proration as a social measure and a stabilizer, but it also needs energetic, competitive measures designed to prevent any trend toward complacency. The Committee considers that this might be achieved by a vigorous sales organization or by some subsidy or special inducement offered by the industry to the company obtaining the orders.

With an effective operation of the plan of proration, the Governments of both Ontario and Quebec should find therein a major portion of the protection to the forest resources of both provinces, which, in 1935 and 1936, impelled the two governments to come to the fore of a critical situation. Successfully conducted, proration should in itself obviate the necessity of either government being obliged to take steps along any lines which might possibly be construed as government intervention. If, however, the advice or the assistance of the Governments of Ontario and Quebec should at any time be required by the industry, acting through its self-established committee, then the Committee considers that a Joint-Board, representative of the two governments and operating with legislative sanction of the respective governments, could be empowered to conduct discussions with the industry's committee, and to report upon the same to their governments; further to act as a liaison board between the industry and the governments which it represents, and to offer from time to time, recommendations to the two governments if and when it considers that implementation of legislation could be made with benefit concerning the matter of stamping out at the inception any possible conditions now or hereafter arising, which might have a tendency to reproduce the unbalanced competition of former years, resulting, as it did, in the bankruptcy of half the newsprint industry.

EXEMPTIONS FROM PRO-RATION

During the period of its later sittings, the Committee heard evidence from witnesses who protested the privilege given to some companies under the form of proration which had been placed in operation and which exempted these companies from having to observe the "distribution of tonnage" principle contained in the rule of proration. At the beginning of January, 1938, the committee set up by the industry decided to give exemption to several mills owned or partially owned by United States and by English publishers. Exemptions so

granted to Ontario Paper Company, Spruce Falls Pulp and Paper Company and Anglo-Canadian Company have continued to this date. The practice has been to continue these exemptions from year to year. The evidence placed before the Committee was indicative of the situation as it existed in the year 1939, and while conditions have perhaps altered materially since that year, the exemptions at that time amounted to approximately 400,000 tons for the Provinces of Ontario and Quebec combined; this represents one-sixth of the business of the provinces, and of this business 28% of the Ontario shipments were exempted and 10% of the Quebec shipments. It is interesting, however, to note that in 1939 the prorated mills worked to 58 per cent of their capacity, whereas with no exemptions being present in the industry the prorated mills would have worked to 63% of their capacity. For purposes of comparison, the margin of 5% so represented amounted to the industrial progress of the whole industry in the year 1939 as compared with the year 1938. The subject of granting exemptions produced a variance of opinion, particularly with respect to the Province of Quebec; suggestions were advanced as to the possible question of bitterness which resulted in a deterioration of proration through the use of exemptions. Some of the witnesses who appeared before the Committee advocated the abolition of all exemptions. The Committee, however, considers that every case having to do with exemptions must stand for judgment on its own merits, and that an unbiased study should be made of every case of exemption. The Committee realizes that by exempting a company one may do a great deal of good and very small harm; on the other hand, the converse situation may be created. The Committee does not intend or propose to deal with each individual case of exemption. Generally speaking, these exemptions were granted to companies which were not competing in the commercial market or to companies which were producing exclusively for their own consumption. In these instances, fluctuation of prices or other trade considerations do not concern them directly. Such companies were induced to invest capital here in the Province, and they are in turn consuming their own product. If these companies are placed under an obligation to prorate, they will be compelled to limit production in their own mills and go into the open market and purchase for their own use a product at a higher price than that for which they themselves are producing it. Such statement is based on the natural assumption that the product sold on the open market is not being sold at the cost of production. Such a condition would not, in the opinion of the Committee, be conducive to healthy business practice, since some of the companies presently enjoying exemptions do not produce enough for their own requirements and as a result purchase their shortages from prorating companies. The Committee, therefore, does not intend to make a definite recommendation with respect to the subject of exemptions, but does consider that this is a subject which should be reviewed by the industry and by the representatives of the Provinces of Ontario and Quebec.

RESEARCH AND SALES PROMOTION

Evidence was presented in detail to the Committee with respect to the matter of better efforts on behalf of the pulp and paper industry both in the field of research and merchandising. In pursuance of the evidence, the Committee considers that the stimulation of the forest industries, by the means of research and sales promotion, is of vital importance. Such research agencies and sales promotion organizations should be encouraged, especially agencies which have as their purpose the development of methods ensuring the better

growth and harvesting of the forests. The advocacy of research is essentially a matter for the industry, and it is again to the industry that the Committee directs its suggestion dealing with promotional efforts in this field. The Committee would suggest at the same time that every possible assistance and the fullest co-operation be offered by the Government and by the Department of Lands and Forests in furthering any plan initiated in this direction. Such suggestion is made since the interests of the Government and of the pulp and paper industry, while dissociated in the commercialization of the product, are both traceable in a primary sense to the same fundamental—that is, the forest resources of the Province. The promotion of new uses for forest products, and the preservation of present uses, is extremely vital, and the importance of such promotion must be paramount in the minds of those so greatly concerned in order that the industry may never find itself mired by the lack of progress and the decay arising out of a failure to keep pace with new methods and new uses. Timber products have, in instances, been supplanted by substitutes, and metal substitutes have made inroads on the lumber market. The Committee is of the firm opinion that energetic and consistent research can prevent further inroads on the use of lumber and can overcome many of the advantages now enjoyed by the manufacturer of substitutes. The Committee therefore recommends that an immediate survey be made by the Department of Lands and Forests of the existing situation in the matter of research endeavours, and that the Department of Lands and Forests in the Province of Ontario approach the Department of Lands and Forests in the Province of Quebec in order to arrive at a combined effort to harmonize the work of the Provinces and of the industry itself in the furtherance of research work.

CENTRAL SELLING AGENCY

The Committee has previously expressed itself in connection with the matter of sales promotion for newsprint, and repeats that it favours the organization of a sales group. This, of course, falls also within the scope of those matters which are to be dealt with by the industry itself. The Committee would qualify its view with respect to sales promotion to this extent, that it does not desire, now or in the future, to see created any of the disastrous and deadly competitive conditions which existed in the years from 1929 to 1935 and which brought about, to a great extent, the chaos into which the newsprint industry had fallen in 1935. If such a condition should arise by virtue of the creation of a sales promotional plan, then the Committee would necessarily find its view directed toward the general evil of dangerous competitive conditions, and would prefer in every way that unreasonable and inequitable competition be avoided.

In the opinion of those witnesses who gave evidence before the Committee, the establishment of a central selling agency inclines towards the idealistic. There may be some merit in such a recommendation for overseas marketing, but to extend it beyond this would appear to have for result the deterioration of present sales organizations, and to take upon itself the appearance of a monopoly. It may be that, as time goes on, a unified sales organization may gain the confidence of the buyers by its performance. There seems to be no question of doubt that such an agency would enable the Canadian pulp and paper industry to maintain a lower price for its products than is now possible by individual effort. However, the Committee is of the opinion that the time is not opportune for the establishment of such an agency.

COST OF ELECTRIC POWER

Evidence was brought before the Committee on several occasions dealing with those costs in the processing of forest products which are to be deemed basic costs. One of these is the cost of electric power. The rate at which such power can be obtained has necessarily a direct bearing on the cost of newsprint. The Committee was advised that newsprint mills use from 40% to 45% of the total power consumption of the Provinces of Ontario and Quebec combined. In some mills the cost of power has become a greater factor than the cost of labour. Speaking generally and taking the industry as a whole, the price of power is between \$5 and \$6 per ton of newsprint at 60% capacity of operation. The Committee is appreciative of the fact that, according to a general average power constitutes approximately 12% to 15% of the cost of newsprint, and that even if 50% of this were to be saved there would be no exceptional difference in the ultimate cost of the finished product, since the cost factor of power would still range in the neighbourhood of \$3 to \$5 per ton at the above-mentioned 60% of capacity production. Its saving per ton would not be so great, having regard to the full cost of production, and conversely it would indeed mean that the power company would suffer, since such a price for power would range below the actual cost of power production. With these facts in mind, the Committee does not consider itself in a position to make a recommendation in this regard except that the Government investigate the possibility of the adoption of methods that may reduce the price of power.

COST OF TRANSPORTATION

The cost of transportation of the harvested product of the forest areas was presented to the Committee by way of evidence and briefs. The subject assumes importance when it is remembered that transportation forms one of the basic costs in the industry. It is the opinion of the Committee that the complicated system of railway rates which is in existence creates a condition of unfair competition. For example, it would appear that there are special rates for square timber from British Columbia, these rates were, it would seem, established in order to meet Panama competition from the West Coast. The rates for transportation are established from the coast to certain points only, in the Province of Ontario or Quebec, as the case may be. This, in effect, works a hardship to those parts of the industry which do not operate at or near those favoured points. To cite a practical instance, the rate is much higher from Vancouver to Port Arthur than from Vancouver to Montreal, owing to the fact that Montreal is covered by the special rate and Port Arthur is not so favoured. There is every logical reason why the Committee should express a desire that a remedy be found to cure this unsatisfactory condition, and therefore the Committee recommends that the Province of Ontario exert its influence as and when opportunity affords towards effecting readjustment of rates that will be equitable to all interests representing the forest products industry.

FOREST RESOURCES REGULATIONS ACT, 1936

The Forest Resources Regulations Act, passed by the Legislature of the Province in 1936, was discussed in detail before the Committee. This Act gives extremely wide power to the Lieutenant-Governor in Council over timber

holdings of any company operating within the Province. It would appear that there were two definite purposes sought in the enactment of The Forest Resources Regulations Act, namely, to assist in the effecting of the policy of proration, and to enable the Crown to deal with timber limits which were held by companies in receivership, or subject to a disability under which they had no power to come to an agreement with the Crown in respect of areas which were not required for their corporate purposes. Further, it might also be said that the Statute enabled the Crown to deal with other companies which held areas far in excess of their needs, and which areas were not being utilized. The Committee has perceived that, from evidence adduced, the opinion of witnesses varied with respect to the propriety of the wide powers given to the Lieutenant-Governor in Council under the Act, but has also perceived that no criticism was offered to the Committee as to the manner in which the powers so given have been exercised in specific cases as they arose. The Committee, in formulating a recommendation having to do with Forest Resources Regulations Act, 1936, chose to look directly at the condition of the industry at that time, the state of disorganized financial distress which existed, and the vital and urgent need for some drastic and effective remedy. In brief, the Committee takes the view that the Act passed in 1936 is to be weighed in the light of its value or lack of value, having regard to the purposes to be accomplished, and with this fact in mind it is the opinion of the Committee that the Forest Resources Regulations Act, 1936, gave to the Lieutenant-Governor in Council powers which were indeed necessary, and which may be deemed necessary to-day. It is true that an indiscreet use of such powers could work an extreme hardship on the company concerned, but this would apply to any power improperly used by those in authority. With the responsibility for the administration of the Statute resting in the Lieutenant-Governor in Council the Committee considers that no objection is to be raised, either with respect to the enactment of The Forest Resources Regulations Act, 1936, or to the administration of such Statute since its enactment; further, the Committee considers that the Statute should be left undisturbed and the powers contained therein should be available to the Lieutenant-Governor in Council in whose hands the powers set out in the Statute are capably administered.

AGREEMENTS OF 1937

Evidence was also heard with respect to the procedure followed in the granting of the new concession agreements set forth in detail in the Report of the Minister of Lands and Forests, dated March 31st, 1938; after consideration of the evidence and of the facts and circumstances presented therein, the Committee finds that the Government was justified in its belief that the unproductive forest areas should be utilized in order to take advantage of the increased world demand and in order to meet the threat of competition which was presented by the advent of southern pine. The Committee considers that the Government was justified not only in view of the possible threat of southern pine competition but in view of the existing competition of European producers.

The Committee examined with care the terms of each of the nine agreements, to which reference was made. While some or all of these companies are in default in respect of some of the terms of the agreement, no benefit would or could accrue from a cancellation or forfeiture of the agreements to which the respective companies are parties unless other parties are prepared to meet obligations of

development. On the other hand, the Government would undergo the loss of the large sum now being collected from these companies for fire protection and ground rent. It is the practice for the timber licensee to pay ground rent and fire protection while the pulp concessionaire pays for fire protection, and in exceptional circumstances, for ground rent also. In this respect, it is to be realized that the concessionaire has undertaken an obligation in the matter of employment, erection of work and the harvesting of a certain crop over a period of years. Should markets improve so that it is practical to erect the mills which were included as part of the obligation in the agreements, then it is the opinion of the Committee that the companies concerned should be compelled to implement their undertaking; and in default, the agreements should be cancelled.

LAKE SULPHITE PULP COMPANY

The affairs of Lake Sulphite Pulp Company Limited and the receivership of that company elicited considerable evidence. At the same time the procedure of the Government from the date of the inception of the company to the present time was carefully examined. From the evidence adduced, the Committee has concluded that the concession agreement given to the company was fair, reasonable and proper, that the Government was justified in granting the concession agreement, and that the Government was in no way responsible for, nor could it have avoided the collapse of the company. The Committee considers that existing factors, embraced by favourable conditions and the strength of the world sulphite market, appeared to justify the belief of the Government and of the public in the future of the Company.

ABITIBI POWER AND PAPER COMPANY LIMITED

Subsequent to the sittings of the Committee on the 1st day of November, 1940, a Royal Commission, composed of the Honourable Charles Patrick McTague as Chairman and Albert Edward Dymont and Sir James Dunn as members, was appointed to enquire into and report upon the affairs of the Abitibi Power and Paper Company, Limited. The report of the Royal Commission was tabled in this House on the first day of April last, and it would therefore be an unnecessary repetition for the Committee to comment on the evidence submitted concerning the affairs of this company. Where the findings of the Abitibi Commission do come within the scope of the duties of this Committee as outlined in the Resolution of the House on April 18th, 1939, this Committee observes that those findings are in agreement with its own recommendations in such instances.

ADMINISTRATION BY COMMISSION

Questions were asked by the members of the Committee of witnesses as to the advisability of administering the forest resources of Ontario under a Commission management rather than under a minister of the Crown who is responsible to the people, the latter being the existing practice. In this respect, reference was made to the practice which prevails in certain Scandinavian countries. The Committee is, however, unable to justify a recommendation which advocates the appointment of such a commission in Ontario. The condi-

tions in Finland, Sweden and Norway are such that there is little in common with conditions in this Province. The large percentage of privately-owned forests, the comparatively small forest areas of the countries involved, and the active participation of government in operation and ownership of many of the pulp and paper companies in these countries, present an entirely different set of conditions to those applicable in the Province of Ontario. It is perhaps questionable whether the ideas of regimentation, government control, ownership and interference associated with commission control in Scandinavian countries would be acceptable in this Province; the Committee would qualify such assertion only to the point of deeming it perhaps advisable for the Government to give consideration to the question of exercising some more efficient control over the cutting of timber on privately-owned lands. This is in accordance with the Committee's previously expressed statement having to do with a more closely aligned policy in the matter of cutting of timber on all lands in the Province.

The Committee has, at an earlier stage of this Report, expressed itself with respect to the varied private ownership of lands in the Province, which ownership makes it impossible for the Government, in the absence of legislative authority, to exercise any control over or supervision in the cutting of privately-owned timber. At such earlier stage the Committee was dealing with the acreage which remains now beyond the control of the Government. Hence, in order to achieve a common policy of timber conservation and supervision over the greatest possible forest area, the suggestion previously made in this Report should be given consideration; that is, that the Government, where practicable, should take steps to reacquire timber resources, particularly in the case of railway grants. It is perhaps unnecessary to state that the Government cannot regulate cutting or impose reforestation on lands which have been alienated.

REFORESTATION

Reforestation has long been the policy of the Government in Southern Ontario. Evidence was heard to the effect that millions of dollars have been spent in creating forest plantations and nurseries, that millions of trees are distributed each year to farmers and owners of land who are desirous of creating woodlots on their properties. In addition, the practice of entering into agreements with various counties of Southern Ontario has been adopted and county forests have been fostered. Demonstration woodlots have been established throughout the Province in co-operation with private owners. All these projects have had as their basic principle the re-establishment of the forests of Southern Ontario.

With respect to Northern Ontario, it would appear to the Committee that so long as proper conservation methods are employed, such as the regulation of cutting, fire protection and combatting insect destruction, there is no need for large scale reforestation in that part of the Province.

As previously stated, one of the difficulties of the Government, charged as it is with the care of the forest resources of the Province, has been the lack of control over cutting on privately owned lands. The indiscriminate clearing by private owners of timber from their lands has, in some sections, caused a serious flood hazard which has resulted in serious damage to property of the

residents of the sections affected. To counteract this, the Government has fostered the development of woodlots, in order to recreate the natural means of flood control. In an outline of the history of Southern Ontario, it was pointed out to the Committee that the settlers were primarily interested in clearing their land for cultivation; timber was not a dominant factor or a prime consideration to the first occupants of the land during the initial development of the Province. It is true that many serious conditions arose as the result of indiscriminate clearing of timber lands and as a consequence the Government and the municipalities of the Province have been compelled to carry out costly conservation schemes in order to restore, or control the waterways in Southern Ontario. In this regard, the Committee desires to point out the great value of whole-hearted co-operation on the part of private land owners in the matter of reforestation. The ultimate success of the work of reforestation will re-establish the forests in many areas of Southern Ontario with consequent benefit to the citizens of the Province.

FIRE PROTECTION

From evidence given before the Committee, it is learned that the greatest menace to the forests in the Province is fire and the opinion was expressed that the Department should continue at all times to maintain an adequate system of protection against forest fires. It was stated that in the year 1939 no less than 102,500,000 acres of woodland was under the protection scheme established by the Crown. The current practice is to charge licensees a fire protection charge of \$6.40 per square mile of area held under license.

DISPOSAL OF CROWN LANDS

The likely influx of settlers from the British Isles and elsewhere at the close of the present war is a matter which calls for careful study in order to ensure that settlers will be located upon the unoccupied fertile lands of the Province with the greatest expediency. Since such a wave of immigration would be the problem originally of the Department of Immigration, the Committee recommends that the Department of Lands and Forests lay plans to co-operate with the Department of Immigration as to the settlement of immigrants. Out of such an arrangement would arise an orderly scheme of permitting occupation of lands in this Province. Such co-operation between the Department of Lands and Forests and the Department of Immigration would appear to promise the best possible method of dealing with such a situation and would react to the benefit of the settler.

With respect to summer resort areas, the Committee suggests that further study be made in order to keep pace with steadily increasing tourist demands. The Minister of Lands and Forests recognized that every means should be taken to promote the disposition of lands for such purposes and that in each district office the Department should keep available complete and accurate general information for the tourists or summer vacationers. Tourist locations in the same district should, it is felt, be held for disposition at uniform prices. Information as to this should be available in the district offices for the convenience of the public since it is at all times desirable that demands of this character be quickly met.

Considerable discussion took place on the policy of the Department of Lands and Forests in disposing of summer resort locations by way of leases and

of Licenses of Occupation, under which a yearly rental is exacted. Evidence was presented to the effect that those types of tenure were not sufficient security to the holder to warrant any large expenditure on the land. The Committee considers that in some instances this view may be well advanced and therefore recommends that unless special circumstances prevail to justify the same, the disposal of summer resort locations should be by sale rather than by lease. The Committee in making this recommendation considers that this policy would create an incentive for purchasers to commit themselves with more confidence to a larger investment. In connection with this and the previous recommendations concerning summer resort locations, the Committee is of the opinion that the Department of Lands and Forests should offer every encouragement to tourists and others to purchase such locations throughout the Province except in the Provincial Parks and Special Reserves. In Parks and Special Reserves, leases on a long term tenure basis under reasonable conditions should only be granted.

COLLECTION AND CONSOLIDATION OF ACTS RELATING TO DEPARTMENT OF LANDS AND FORESTS

Questions were placed to various witnesses who appeared before the Committee as to the practicability of collecting the many existing acts regulating the administration and the administrative duties of the officials of the Department of Lands and Forests and binding them into one volume so that they would be readily available. In the opinion of the Committee this would not entail a great deal of work and on the other hand would simplify the work of those whose duties require a reference to this legislation from time to time.

CONCLUSION

The Committee during the several days of its sittings considers that there has been recorded in evidence much valuable information which will furnish a permanent source of future reference, the value of which more than justifies the expenditure involved. Many prominent witnesses from outside the jurisdiction of the Committee's authority on invitation attended to testify and to assist the Committee by giving it the benefit of their views.

The Committee expresses the sincere hope that the information contained in the 2,500 pages, approximately, of evidence and in the exhibits and briefs submitted to the Committee and in this Report, may be of assistance and may result in benefit to the administration of the forest resources of the Province, to the industry whose vitalizing asset is the same forest resources, and to those interested in the affairs of the Department of Lands and Forests of the Province of Ontario.

All of which is respectfully submitted.

J. M. COOPER,
Chairman.
H. C. NIXON,
A. L. ELLIOTT,
F. R. OLIVER,
W. G. NIXON,
PETER HEENAN.

Report of the Select Committee appointed to investigate,
inquire into and report upon all matters pertaining to
the administration, licensing, sale, supervision and
conservation of natural resources by the
Department of Lands and Forests.

MINORITY REPORT

Signed by:

GEORGE DREW
FRANK SPENCE
HAROLD WELSH

REPORT OF THE SELECT COMMITTEE APPOINTED TO INVESTIGATE, INQUIRE INTO AND REPORT UPON ALL MATTERS PERTAINING TO THE ADMINISTRATION, LICENSING, SALE, SUPERVISION AND CONSERVATION OF NATURAL RESOURCES BY THE DEPARTMENT OF LANDS AND FORESTS

By a Resolution of the Ontario Legislature dated April 18th, 1939, it was "ordered, that a Select Committee of this House be appointed to investigate, inquire into and report upon all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests."

Pursuant to that Resolution the Committee held many meetings and heard considerable evidence. The witnesses included the Minister of Lands and Forests, the Deputy Minister of Lands and Forests, several of the experts attached to the Department, heads of our largest pulp and paper companies, timber operators, power experts, representatives of associations connected with forestry and the pulp and paper industry, and many others whose evidence covered most of the field of activities connected with our forest products.

Not one witness went so far as to say that the present method of administration, licensing, sale, supervision and conservation of our forest resources by the Department of Lands and Forests is all that could be desired. The Minister himself made it clear that he thought there were many things that could be done. Most of the witnesses thought that much could be done to improve the situation. But on reviewing the great mass of evidence which was given it is surprising to find how few had specific recommendations as to what should be done. Most of the witnesses preferred to deal with some special aspect of the problem. One thing which emerged clearly from all the evidence was the fact that at present there is no machinery for effectively co-ordinating all the mass information which is available from the highly qualified experts in the many specialized activities based upon the use of our forest resources. It is clear that some system of digesting the experience and opinions of all the leading experts connected with every type of activity connected with our forests should be devised as soon as possible.

In preparing the final draft of this Report we have had the advantage of reading the Report of the Royal Commission appointed by the Ontario Government to inquire into the affairs of the Abitibi Power and Paper Company Limited. The three members of this very able Commission were the Hon. Mr. Justice C. P. McTague, of the Supreme Court of Ontario, Mr. Albert E. Dymont, and Sir James Dunn. While the evidence they heard was directed particularly to the affairs of the Abitibi Power and Paper Company, Limited, much of the evidence and many of the findings in the Report are of the utmost value in considering the general problems of all industries using raw material from our forests. For that reason the findings of the Report of that impartial Commission will be referred to several times throughout this Report and for convenience the Report of this Royal Commission will be referred to as the Abitibi Report.

It is necessary at the outset to mention one important statement in the Abitibi Report because it refers to a very real difficulty we encountered at all stages of this inquiry. The Commissioners state in the Abitibi Report that "a general feeling of insecurity can be detected which can be rectified only by the removal of any suspicion that political considerations and not plain ordinary justice prevails in the relationship between the Government and the industry." That general feeling of insecurity was all too obvious and one of the reasons that it was impossible to get specific recommendations from many extremely capable witnesses was the obvious fact that they were fearful of prejudicing the companies with which they were connected if they gave evidence which appeared to reflect upon the administration of the Department. While this was very apparent in the evidence of the witnesses themselves, it was even more apparent in discussion with some of those who would have made good witnesses but frankly stated that it would be putting them in a serious position if they were called, because if they told the facts the companies with which they were connected would be penalized. This difficulty was particularly noticeable in connection with many of the officials and experts of the pulp and paper companies, which are so dependent upon the good-will of the Department for their very existence. The most serious contributing factor to this feeling of insecurity and freely expressed fear of reprisal, is The Forest Resources Regulation Act passed in 1936, which confers upon the Minister absolute power over all the pulp and paper companies in the Province. The sweeping powers under this Act are exercised without regulation and without right of appeal. It is doubtful if any less democratic piece of legislation has ever been put upon the Statute Books anywhere within the British Empire! The purpose and scope of this Act will be discussed in more detail later in the Report. It is mentioned now because it is apparent that no matter what the original purpose may have been, the unrestrained powers under this vicious piece of legislation contribute more than anything else to the "general feeling of insecurity" referred to in the Abitibi Report.

The greatest difficulty encountered however arose from the incredibly unbusinesslike methods of the Minister in dealing with the most important affairs of his department. The evidence makes it clear that he takes full responsibility for all major decisions with little or no information before him from the well-trained experts in the department. There is every reason to believe that the civil servants attached to this Department are well qualified for their positions, are conscientious and hard working public servants, but it is clear that they have little or nothing to do with the decisions upon which the success or failure of the administration of the Department depends.

These difficulties are mentioned at the outset because they did limit the possibility of really conclusive evidence in regard to some phases of the operations carried on under the direction of this Department. The recommendations which will be made at the end of this Report will in our opinion deal with the subject on a sufficiently broad basis so that the failure to obtain conclusive evidence, particularly in regard to supervision of cutting and forestry practices generally, should not limit the usefulness of this Report.

The inquiry originally arose out of discussions in the Legislature regarding the course to be followed by the Government in connection with the affairs of the Abitibi Power and Paper Company, Limited. It was for that reason that it was deemed advisable to defer the completion of the Report of this Committee until

the Royal Commission appointed to deal particularly with the affairs of the Abitibi Power and Paper Company, Limited had delivered its Report to the Government.

The purpose of those who initiated this inquiry was outlined at the beginning of the first meeting of the Committee in these words:

G. A. DREW:

"As it was on my original motion and at my written request to you as Chairman of the Committee that this inquiry has been called, perhaps I had better outline exactly my own views of the course which should be followed.

"In the first place, the motion makes it clear that a Select Committee of this House was authorized by the House on the 18th instant to investigate, inquire into and report on all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests, to be constituted as follows and be authorized to sit during the recess of the House. That necessarily ties in with the Forest Resources Regulation Act passed in 1936, which gives the wide powers to the Department under which most of the contracts have been made which will come before this Committee for inquiry. I want to make it clear that the inquiry is based on the necessity for some defined policy on the part of the Department of Lands and Forests of this Province. It will be remembered that the motion was prompted by the situation arising from the attempts which came to a head last spring to reorganize the Abitibi Paper and Pulp Company. It was then that the powers conferred on the Minister of Lands and Forests by the Forest Resources Regulation Act of 1936 became apparent for the first time. So that the course I propose to follow in the examination may be understood, I want to make it quite clear that my general purpose in this inquiry is to attempt to find some clearly defined long range policy which can be of use to this Government and subsequent Governments in dealing with resources which may easily, over a period of time, become the greatest of all our natural resources. Under this Act, the decision of the Minister of Lands and Forests is subject to review by the Cabinet, as it is only by an order-in-council passed by the Government that action can be taken. The Minister must have the necessary information before him, and, on his recommendation, the decision is usually reached. A wink of the Lands and Forests' Minister, however, is as good as a nod of the Cabinet. Very often the Cabinet will accept his recommendation as to the subject matter before them and under an Act so powerful as this, the Minister acquires authority to deal with all the forest resources of this Province. Consequently, the way in which the contracts are let and the actual manner of procedure in dealing with them becomes of considerable importance. I said at the outset that I will try to make the course clear that I am to follow. My position in this regard is that the Government which has these wide powers cannot then wash its hands of the sale. In this particular case there was a suggestion that the mortgage must be exercised and that the Government was not responsible for what happened. Whether that is the right course to follow in relation to all these companies, we should ascertain. I would hope that out of this inquiry might come a clear policy for the future that would to some extent govern the powers for the present and succeeding Governments.

"Having regard to these wide powers, on the recommendation of the Minister, areas that have been allotted to companies may be taken away at his discretion, subject, of course, to the approval of the Cabinet. It does seem to me that it is of great importance that we understand how those powers have been exercised in the past and how they should be exercised in the future.

"Another company that was under discussion at the time when this resolution was presented and adopted was the Lake Sulphite Company. I would think that it would be our duty to go to the fullest extent in examining the method by which the Lake Sulphite Company came into existence. It was stated at that time to the Cabinet that the Company was adequately financed to go into operation. The bankruptcy of that company before organization was complete was a very severe shock to this Province and outside the Province where our pulp and paper is necessary and where they must go for sale. It must not be forgotten that the starting point was the recommendation by the Minister to the Cabinet that they should approve of what he had done, because this company was adequately financed. The company failed. No satisfactory explanation was given for that. This is not a question of trying to attach blame but a question of trying to find out what did happen and of trying to find some formula in order to prevent a recurrence.

"This extremely wide Act in my opinion gives powers not given by any other Act in this Province. It seems to me that it leads to the necessity for a very careful understanding of how far this or any other Government should go in exercising these wide powers.

"The value of our timber is enormous at the present time and it seems to me perfectly clear that we have only started to realize the value of those resources. We are no longer cutting timber for logs and boards alone, but are using it to produce clothes and chemicals, especially in war time, and in Germany even food has been made from it. What uses will be made in the future of these recurring crops can only be imagined, and our young people should have a right to look to the development of that resource and it should be protected for proper future development. All contracts which have been let under The Forest Resources Regulation Act of 1936 should be closely examined to see exactly what method was employed in entering into those contracts on the part of the Government. We should ascertain exactly what the result has been from the point of view of the Province. It is particularly important that we should understand clearly what can be done to preserve these resources during war, because in war time our timber acquires an importance out of all proportion to peace time use. We are not only looking at the present but to the future. But because we are at war is all the more reason that we should find out what the situation is and what can be done to improve it. In my opinion, we are at present completely denuding some of the valuable forestry areas in this Province without any attempt at reforestation. Reforestation of these valuable areas is one of the first considerations.

"The war raises many questions in that respect which we should consider while this Committee is sitting.

"When the war is over, I don't know when, I think there is bound to be very heavy colonization in this country. We have for years been talking about the possible value of the clay belt in Northern Ontario and in other areas which are, at the moment, too heavily timbered for colonization. There are differing opinions. There are those who say that if some effective programme were adopted we would open up a new area for colonization as great as the whole farming area in Southern Ontario. Whether that is wrong or whether it is right, it seems to me that this Committee should consider whether it is possible to colonize the clay belt under some timber cutting plan, and if there is some real prospect of success. While we still have time to do it, we should make a recommendation that should be followed up after this war is over. In that respect, let us recall that in early times, timber cutting in the older part of the Province opened up farms. It was sound then and may be sound now."

Following these remarks Mr. J. M. Cooper, who succeeded the Hon. Paul Leduc as Chairman upon the latter's retirement, made this statement which clearly indicated the common ground upon which the inquiry was conducted:

J. M. COOPER:

"Mr. Chairman, in view of what Col. Drew has said, I for one think that this Committee will concur entirely with what Col. Drew has said. If this Committee is to serve a good purpose, it will be by following the suggestions that have been made by Col. Drew, that is, to discuss this problem on a high plane with one thing in view. That is to try and see if we cannot agree on some permanent timber policy for the Department and also as the Colonel says, for the Department of the future."

Subject to the difficulties in obtaining some evidence, the inquiry proceeded upon that basis and there was agreement at all times that the purpose of the Committee should be to seek some long-term policy which would improve the present situations.

The point upon which there was the most complete agreement from the very beginning was that the trees of our forests should be looked upon as a continuing crop and that every effort should be made to preserve that crop so that future generations will have at their disposal the same sources of forest resources as we have.

But while the Minister of Lands and Forests was as much in agreement with this principle as the other members of the Committee, it was apparent that he looks upon silviculture and conservation as very minor considerations in relation to the possibility of making contracts dealing with our timber areas.

Even those closely associated with the various forest products industries hardly seemed to visualize the vital part that our forests are likely to play in Canada's future economic structure. Those connected with the pulp and paper industry are naturally so concerned about the uncertain state of that industry, that their attention is mainly devoted to the preservation of their own companies. Timber operators seemed mainly concerned with the uncertainty of obtaining timber for their own operations. But this is not surprising. The whole forest

product industry has been in such an unsatisfactory state of uncertainty for many years that those whose livelihood depends upon the activities of the Department of Lands and Forests, and of the markets for wood products, are necessarily thinking first of the stability of their own business and the possibility of continued employment.

One vital fact should be borne in mind in making any recommendations connected with this Department. Almost unbelievable advances have been made in the utilization of various kinds of wood for commercial production in the past few years. The difference between the period when our forests were looked upon only as sources of firewood and lumber to the stage when they were the source of a large percentage of the world's newsprint supply, is no greater than the difference between that second stage and the stage we are about to enter when our forests will become the source of a wide variety of products previously made from other substances more difficult to obtain. Science has opened an almost limitless horizon for the commercial exploitation of our forest resources, and impose upon the people of Ontario and Canadians generally, the duty of protecting the source and developing the product to the limit of their ability. A brief history of the changes which have taken place in the relationship of our forests to our provincial and national economy will illustrate why some drastic change in the method of administration is so urgently required.

HISTORY

The first control of the forests of this country dates back to 1763 when instructions were prepared by the Colonial Office in London for the control of the forest areas following the British occupation.

At that time the forests were something to be overcome. In the opening up of the country they presented an obstacle which was only removed by great effort. And first the control was merely for the purpose of assuring the identity of those occupying forest territory and also of assuring the preservation of one of the most valuable trees at that time. It is interesting to recall that in the early grants oak was held in reserve as it was needed for the Navy. That reservation continued until England substituted Canadian pine for oak and many of the grants of forest areas in Old Ontario then began to contain a reservation in regard to pine timber which may still be found in some of these old grants.

The control of our forest resources continued by regulation from the Colonial Office until 1827 when The Public Lands Act was first passed. This Act was substantially the same as The Public Lands Act we have to-day. The present Department of Lands and Forests was originally constituted under that Act. The control of game and fisheries came under that Department for reasons so obvious that they may suggest that there should again be a close association between the control of game and fisheries and the control of our forests.

In 1905 the increasing importance of mineral development led to the setting up of this Department as the Department of Lands and Mines. The following year it became the Department of Lands, Forests and Mines. Then in 1920 separate departments were organized and the present Department of Lands and Forests took control of our forest resources.

Year by year new problems have arisen in connection with the administration and utilization of our forest resources. This has produced a complex accumulation of legislation which in itself is the best possible evidence that there should be a complete overhauling of the system of controlling our forests. A brief review of these Acts is necessary to impress the need for a Codification of all laws relating to forest products and their use. As has already been pointed out, the first Act was The Public Lands Act which is still in force in very much the same general form as it was originally passed in 1827. There are twenty separate Acts bearing directly upon some phase of forest control.

1. The Public Lands Act—R.S.O. 1937, Chapter 33.
This is the basic Act in relation to the disposal of Crown lands for settlement either by sale or grant, summer resorts, etc. It also deals with timber on settlers' land.
2. The Crown Timber Act—R.S.O. 1937, Chapter 36.
This Act controls the licensing of Crown Timber.
3. The Forestry Act—R.S.O. 1937, Chapter 39.
Gives power to the Minister of Lands and Forests to acquire lands for the establishment of Provincial forests and to encourage municipal co-operation in that effort.
4. Counties Reforestation Act—R.S.O. 1937, Chapter 323.
Permits Counties to acquire lands and to borrow money for forest propagation.
5. The Private Forests Reserves Act—R.S.O. 1937, Chapter 324.
Permits the designation of private properties to be private forest reserves in which no cutting shall be allowed and no cattle allowed to run, etc.
6. The Provincial Forests Act—R.S.O. 1937, Chapter 38.
Provides for the setting aside of areas as Provincial forests by Order-in-Council.
7. The Pulpwood Conservation Act—R.S.O. 1937, Chapter 41.
Requires detailed returns covering the operations of pulp and paper manufacturers. Its purpose is to provide for departmental control of cutting and was passed as a means of assuring a sustained crop yield upon pulp concessions.
8. The Settlers' Pulpwood Protection Act—R.S.O. 1937, Chapter 42.
Gives the Minister of Lands and Forests power to investigate dealings between settlers and pulp companies regarding timber cut from settlers' lands. Also gives power to regulate sale of settlers' pulpwood.
9. The Nursery Stock Act—R.S.O. 1937, Chapter 43.
Prohibits the sale of nursery stock supplied free by the Department of Lands and Forests.
10. The Provincial Parks Act—R.S.O. 1937, Chapter 94.
This is a basic Act providing for our large Provincial Parks.

11. The Bed of Navigable Waters Act—R.S.O. 1937, Chapter 44.
Reserves generally to the Crown the beds of navigable streams when lands adjacent to those streams are granted.
12. The Lakes and Rivers Improvement Act—R.S.O. 1937, Chapter 45.
An important Act in regard to the rights of lumbermen to improve lakes and streams to facilitate the driving of timber. This is a very important Act.
13. The Forest Fires Prevention Act—R.S.O. 1937, Chapter 325.
Establishes the law in relation to fire prevention in forests.
14. The Mills Licensing Act—R.S.O. 1937, Chapter 37.
Gives power to regulate the licensing of all sawmills and pulp mills with penalties for the operation of unlicensed mills.
15. The Cullers Act—R.S.O. 1937, Chapter 240.
Providing for the examination and licensing of Cullers and imposes various duties upon them.
16. The Woodmen's Employment Act—R.S.O. 1937, Chapter 202.
Provides for the appointment of a departmental official to investigate and report upon wages, working and living conditions, food, camps, etc., for the purpose of maintaining proper living standards for bush workers.
17. The Woodmen's Lien Act—R.S.O. 1937, Chapter 201.
Provides for the protection of bush workers and others in the matter of wage claims.
18. The Mining Act—R.S.O. 1937, Chapter 47.
Section 102 of The Mining Act has an important bearing on the control of forest resources as it provides that all timber on mining claims is reserved to the Crown. Up till March 26th, 1918, only pine on mining claims was reserved, perhaps for the historical reason already referred to. The main purpose of this section was to prevent the staking of mining claims merely for the purpose of securing timber rights.
19. The Surveys Act—R.S.O. 1937, Chapter 232.
This Act providing generally for surveying methods is of great importance in controlling the allocation of lands surveyed for those acquiring timber rights.
20. The Forest Resources Regulation Act—R.S.O. 1937, Chapter 40.
This Act gives the Minister wide power to deal with forest property by Order-in-Council without regard to the rights established under many of the other Acts. This Act has the effect of undermining the stability of other legislation and destroying the value of many provisions of existing contracts.

In addition to these Acts there are a number of other Acts dealing with forest property in one way or another but having only a limited application. Even this very brief review of the complex legislation affecting activities con-

nected with our lands and forests makes it clear that all legislation dealing with our forest resources should be codified in one comprehensive Act.

The amount of legislation now on the Statute Books emphasizes in itself the very great importance of this Department. It began in a small way at a time when no one dreamed that the day would ever come when we would be concerned about cutting too many of our trees. On the contrary, the main job was to cut as many and as fast as possible. When Southern Ontario was denuded of many of its finest forests the cutting was still done largely for the purpose of obtaining timber and lumber. Although pulpwood was being used on a large scale for the large newsprint mills in the United States, it was not until comparatively recent years that the demand for Canadian pulpwood grew to its present proportions. There were very large timber stands in the United States and it was not until they had destroyed many of their own forests that the producers of newsprint in the United States looked to Canada as the main source of their supply. Then many of the producers of newsprint from the United States started cutting in Ontario and adopted the same destructive methods which had ruined some of the best forests in the United States.

Public opinion became aroused on the subject and restriction upon export was imposed mainly by what were known as the "Manufacturing Clauses" in contracts with the Government. Almost without exception witnesses who discussed this subject were agreed that it was the restriction of export which began the great pulp and paper industry of this country.

But now a new stage has been reached in which science has opened vast new fields for industrial utilization of our forest resources. When international trade again approaches normal after this war is over, fabricated forest products of various kinds may mean a great deal more to us than even the pulp and paper industry. In any event there is no doubt that we have passed into another advanced stage in the employment of forest resources.

Already we have large plants producing rayon goods and cellophane. That is only the beginning, however, of the new industrial expansion. In this new industrial development Canada has great advantages in the world markets if they are properly exploited because the sources of power and raw materials are close together throughout the Provinces of Ontario and Quebec. Transportation has presented some difficulties, but this is largely because of the lack of sufficient effort to co-ordinate our transportation problems.

To fully appreciate the importance of this new stage in the employment of forest products, and to understand why it is so necessary to look upon this whole subject in a new light and with fresh vision, it is necessary to have some knowledge of the wide field which science has now opened up for the employment of forest resources. There are all too many who still seem to think that the temporary success or failure of the pulp and paper industry is the only yardstick by which to measure the usefulness of our forests.

For the sake of convenience, the chief chemical products other than paper which are now being produced from wood and its by-products may be classified as follows:

1. Purified Wood Cellulose:

(a) Regenerated Cellulose—

- (i) Viscose rayon
- (ii) Viscose staple fibre
- (iii) Cellophane
- (iv) Sausage casings
- (v) Cellulose sponges.

(b) Cellulose Esters—

Cellulose nitrate which includes celluloid, pyroxylin paint and lacquers, explosives, and transparent sheeting, films, etc.

(c) Cellulose Ethers—

- (i) Ethyl cellulose
- (ii) Benzyl cellulose

(d) Plastics

(e) Moulded articles

(f) Cellulose wadding

2. Crude wood cellulose:

- (a) Plastics
- (b) Explosives
- (c) Moulded articles

3. Wood Flour:

- (a) Plastics
- (b) Explosives

4. Degraded Cellulose:

- (a) Sugars for fodder and food
- (b) Ethyl alcohol

5. Waste Sulphite Liquor:

- (a) Ethyl alcohol
- (b) Binders for roads, linoleum, etc.
- (c) Sulphite cellulose panning extracts
- (d) Baker's yeast
- (e) Vanillin

6. Wood-Distillation Products

7. Wood as Fuel

In Canada we have hardly yet begun to explore the widefields of new industrial possibilities which have been opened to us in the past few years. As the largest exporter of wood products in the world we should be pioneers in the scientific discovery of still further uses for wood. But even now it is a stimulating prospect for young Canadians.

Viscose rayon, for instance, is used in making clothing, house furnishings, curtains, draperies, bedspreads, etc., and is to-day one of the most important textiles in use throughout the world. For several years the demand for rayon has been far ahead of production. Although Canada is making a large quantity of rayon, the figure of production is relatively small compared with that produced in some other countries. A few figures prepared by the Bureau of Statistics at

Ottawa in 1939 will show the rapid growth of production of rayon in some countries. In 1930, for instance, Canada produced 5,390,000 pounds of rayon. In 1936 Canada produced 12,000,000 pounds. In 1930 the United States produced 115,000,000 pounds and in 1936, 278,000,000 pounds. In 1930 Japan produced 33,330,000 pounds, but by 1936 was the world's largest producer turning out 285,000,000 pounds. Having regard to our enormous resources of wood suitable for this purpose as compared with Japan, these figures in themselves indicate the possibilities of expanding this business. In the case of viscose rayon the results were very much the same. In 1930 Canada produced 3,960,000 pounds, and in 1936, 7,750,000 pounds. On the other hand in 1930 Japan produced a little more than 30,000,000 pounds and in 1936, 272,000,000 pounds, again having the world's largest production of this type of rayon by a very considerable margin.

Figures for the consumption of wood pulp for viscose rayon alone indicate the important bearing this development may have on the problems connected with the export of wood pulp. For instance, in Canada in 1932 the consumption of wood pulp for the manufacture of viscose rayon was 2,380 short tons. This has risen in 1936 to 3,150 tons. The consumption of wood pulp by Japan, however, had risen from 26,510 tons in 1932 up to 114,000 tons in 1936. In the case of the United States consumption had risen from 43,770 tons in 1932 up to 87,500 tons in 1936.

These figures should be borne in mind because it is clear that it is necessary to have very much more accurate information than is now apparently available anywhere in Canada in regard to the relationship between export of wood pulp from Canada and the manufacture of these new chemical by-products of wood in the United States and elsewhere. Just as the beginning of the pulp and paper industry depended upon the limitation of export of pulpwood at that time, it is quite possible that the development of new industries based upon the chemical utilization of wood products may depend upon similar manufacturing restrictions to those imposed a few years ago. In any event, it is clear that Canada's industrial production of those manufactured products which can now be fabricated as a result of recently discovered chemical processes is far below what it should be having regard to our dominant position so far as raw material is concerned.

Again in the case of cellophane the consumption of wood pulp for this chemical wood product has been jumping at the rate of five thousand tons a year. In 1937 the consumption of United States factories was 35,000 tons and it is estimated that it has progressed by at least five thousand tons a year since then.

The interesting thing about most of the other by-products is that there are apparently no available records of the amount of wood pulp consumed in each particular case. For instance in the manufacture of sausage casings Canada was the pioneer in the field. Now other nations greatly exceed our production. But so far as could be ascertained there is no accurate record of the amount of wood pulp consumed for the manufacture of this product.

Merely to show the extent to which some of these by-products are being used, it may be pointed out that in the past two or three years the manufacture of an extremely wide variety of commercial products made from plastics has imposed new demands upon the forest areas available for wood of a suitable type. Only

recently we read of the production by the Ford Motor Company in the United States of a plastic automobile body which is tougher than steel. What will happen to the demand for wood if this process should be generally adopted can well be imagined. Just last week an aeroplane made of moulded wood was passed by the United States Government for military training purposes. There seems to be scarcely any limit to the possible expansion of the use of wood.

The I. G. Farbenindustrie, of Germany, has been responsible for more scientific advances in the use of wood than any other similar organization throughout the world. In their case necessity has been the mother of invention. The need to find substitutes for raw materials and finished products which they could no longer afford to import lead to exhaustive scientific experiments which produced astonishing results. In Germany to-day it is possible for a man to be clothed fully from head to foot in things made from wood. There has been a tendency to look upon these substitutes as inferior products. The fact is that tests have proved that some of these wood products are stronger than those made from the material originally employed. This should have an important bearing upon our attitude toward the future use of wood products and the steps we take to preserve our timber resources. It is quite possible that we may find it desirable to turn to wood products in many lines of industrial production because a better product may be the result or because we can help our exchange position by avoiding the necessity of importing some raw materials or finished products.

The amazing discoveries of the past twenty years during which more new uses for wood have been found than in all the time which went before, give us good reason to believe that we have scarcely yet scratched the surface of the possible utilization of our forest resources, and that with adequate scientific research there are almost limitless possibilities of increasing employment if we take the maximum advantage of our vast reserves of raw material.

It is not beyond the realm of possibility, for instance, that research will prove that we can produce all the fuel we require for internal combustion engines from wood and coal. In Europe before the war began a large number of automobiles, buses and trucks were using gas produced from wood, charcoal and coal. A few years ago the Forest Products Laboratories at Vancouver carried out tests with gas produced from charcoal which had been made from Red Alder and Douglas Fir. The gas produced in this way was used experimentally as fuel for trucks and showed a cost saving in fuel of fifty per cent as compared with gasoline. It is possible that this may not yet have reached a practical stage of development, but it is certain that we are on the verge of many new and extremely valuable discoveries in the use of wood products. The possibilities offer a challenge to the energy and vision of our youth.

In any event, it seems likely from what has already taken place, that the demand for wood pulp from industries other than those which make paper will increase in the next few years by leaps and bounds. This presents an extremely serious problem of control for Ontario and other Canadian provinces which produce pulpwood. The evidence before the Committee makes it clear that at the moment the information available is not nearly sufficient to arrive at well-informed decisions as to the full details of the practice which should be adopted. But it is clear that in discussing the very important questions regarding the wisdom or otherwise of permitting the export of pulpwood, the subject should not

be considered only from the point of view of determining whether or not the pulpwood exported competes in its manufactured form with Canadian paper products. From what has been said of new developments it would seem that there may be good reasons for limiting the export of pulpwood which have nothing whatever to do with the future of the newsprint industry.

During the course of the inquiry no witness questioned the fact that by effective research Canada can increase employment in her forests and forest industries to a very considerable extent. Canada has, in fact, lagged far behind many other nations in the scientific use of her forest products. Next to Canada, Sweden is the largest exporter of wood products in the world. But Sweden offers an extremely interesting comparison with Canada in the number of men employed in this industry. The whole area of Sweden could be tucked away in a part of Northern Ontario. The total area of all Swedish forests is 89,000 square miles, whereas in Ontario alone the area actually under fire protection amounts to 164,000 square miles. And yet we find that before this war began the total forest employment for the whole of Canada was about 200,000 in a year of average activity, whereas Sweden, operating a relatively small area, employed as many as 400,000 forest workers. This is something to bear in mind at a time when we must seek every possible way to assure the opportunity for new employment when our troops are demobilized and munition workers find it necessary to change to peace time work.

Russia and Brazil possess larger forest areas than Canada, but Russia has never been a serious competitor in world markets, and the Brazilian timber is not of a kind which has yet proved suitable for the ordinary chemical processes which have been developed. Having regard to the extremely high figures of Japanese production in many lines of wood products, it is worthy of note that Japan's forest area is little more than a tenth the size of ours. We have by far the finest timber stands in the whole world readily available for the industrial processes which have so far been discovered. The quality, variety, and character of our trees is similar to that found in Sweden, Norway and Finland, but their combined supply of raw material is an extremely small fraction of ours. Sweden, which is second to Canada in international trade in wood products, has a total forest area of only 55,550,000 acres as compared with 596,746,000 acres in Canada. What Sweden, Norway and Finland have been able to do with their limited forest areas, at the same time carefully assuring the maintenance of their crop continuity, should give us every reason for confidence that we can employ many times the number of men now employed in the forest industries of Canada without diminishing the forest resources available for the future. If we can develop the use of our forest products on the same proportionate basis that Sweden has achieved we can employ four million men in the woods and in the forest industries of Canada. This seems like an extremely optimistic figure but it is the simple arithmetic of our comparative advantages. That figure should give some idea of the distance we must still go before we can say that we are really making full use of what may well become our most valuable national asset.

Having discussed in general terms the important place of the forests in our national economy, we will proceed to consider the subjects about which there was controversial evidence.

ADMINISTRATION

One thing which emerged from the evidence was the extreme difficulty of obtaining any clear picture of what is being done to protect our forests and assure reforestation. On the one hand are statements that our forests are threatened with immediate devastation by wasteful cutting methods, on the other are assurances that our forests are in no danger. It would appear that the truth lies half way between these two extremes.

It can be definitely stated that there should be sweeping and drastic changes in the policy of controlling our forest resources. No matter what form of control is established it cannot be stated too emphatically that the administration of our forest resources should be under some one who recognizes the vital importance of efficient business methods in handling the most complex and possibly most important of our provincial assets.

The importance of our forest resources is emphasized in the last edition of the Canada Year Book in these words:

"It is evident that, in this war, material resources will play an even more vital part than in previous wars. It is fortunate therefore that Canada possesses such vast supplies of accessible timber and industries that are capable of expanding their production to meet a very considerable increase in the demand for forest products. It is fortunate, too, that Canadian seaports on both the Atlantic and the Pacific are open throughout the year and, with the convoy system in operation, overseas shipments can be made with comparative safety.

"It is of vital importance to Canada that trade in forest products be maintained since it provides a greater favourable balance than the trade in any other class of products. In order that this may be accomplished, total depletion must be kept within the productive capacity of the forests. There is no reason why this cannot be done if the forests are managed on a rational basis.

"The abnormal demands of the present conflict should not cause serious inroads on forest capital. The necessity for economy in use, the limitation of shipping space, and rigid control of prices should prevent anything in the nature of a boom developing."

The value of the industries based on forest resources in itself emphasizes the need for the most efficient form of administration. In 1938 the total capital invested in Canada in the forest industries amounted to \$951,092,969. The gross value of all forest products was \$533,210,257, and the net value \$277,002,267. While the separate figures for Ontario are not available, this province has a very large share of that enormous investment and annual revenue. In the same year export of all forest products amounted to \$214,488,484 which was 23.1 per cent of the total value of all Canadian exports. This business produced \$158,873,650 in wages to Canadian workmen.

The point which these facts make clear is the vital importance of selling. Suggestions were made that some central selling organization should be recom-

mended to co-ordinate selling activities, particularly in the United States. We do not propose to make a specific recommendation in this respect because we will recommend a method of control which in itself will provide the opportunity to find the best solution of this question with all the facts available.

Having regard to the size and importance of Ontario's share of this enormously valuable business, it is obvious that the permanent staff engaged in this work must be the most competent men available and they must be assured of permanent employment and freedom from political interference.

District Foresters should have increased powers and they should be men of the highest possible qualifications whose advancement will be assured upon merit qualifications alone. They must be free to make decisions without regard to the relationship of any individual or company to the Minister.

There should be a clear policy of administration. The first step toward the establishment of such a policy is the accumulation of facts which are not now available. Facts should be collected and digested under the following heads:

- A. The collection of the facts of the Forests; Soil classification, inventory, growth, loss ratio, net yield, degree of protection and allowable annual cut.
- B. The collection and analysis of the facts of the markets for Forest products.
 - (a) Locally,
 - (b) In Canada,
 - (c) In world markets.
- C. The collection of the facts respecting watershed protection.
- D. The collection of the facts concerning Forests from the point of view of recreation for citizens and attraction to vacationists from outside.
- E. The collection of the facts of the Forests in relation to game and fish.

When these facts are available, a policy should be established which is consistent with the assurance of perpetuation of the forest yield or true forest soil and consistent with the needs of our people. The policy should be flexible and should develop as new or additional facts are discovered by investigation and research.

In establishing a policy it would appear to be necessary to draw a clear distinction between the problems of old and new Ontario. While there are localities in Northern Ontario where reforestation is needed the problem is mainly one of effective conservation and selective cutting. In Southern Ontario there is a great need for active reforestation, in co-operation with municipal councils, to improve soil conditions and revive the beauty of non-arable areas which have been completely denuded of their timber. Policies to meet these situations would be based upon the analysis of facts outlined above.

The most important detail of administration, so far as the present Minister is concerned, has been the arranging of contracts involving properties with a total potential value of hundreds of millions of dollars. These contracts were arranged in the most casual manner without any competition and with little or no evidence on file to show why the particular companies which got these contracts merited the confidence of the Minister. In the vain attempt to find any evidence which

would explain why the representatives of these particular companies were so fortunate we are impressed with the force of the pungent comment of the Commissioners in the Abitibi Report, that the day of dispensing favours in the form of timber concessions to new political friends has long gone by. Recrimination will not undo what has been done. But it is necessary to examine the course followed by the present Minister in disposing of forest concessions, to appreciate the urgent need for immediate reforms in administrative policy and the adoption of entirely different procedure in dealing with our vast forest resources.

Since the present Minister took office eight contracts have been signed under which eight different companies each undertook to build pulp and paper mills within a fixed period of time which has long since expired. All of these contracts were signed in the year 1937. They were with the following companies: Lake Sulphite, General Timber Company, Pulpwood Supply Company, Huron Forest Products, Sault Pulp Products, English River Pulp and Paper Company, Vermilion River Pulp Company, and the Western Pulp and Paper Company. Each of these companies undertook to build a mill. All are in default. The only company which attempted to build a mill was the Lake Sulphite Company and it went into bankruptcy before the mill was completed. In spite of the fact that they are in default, and have shown no indication of any intention to carry out their obligation under the contract, none of the concessions had been cancelled up to the time that the evidence before the inquiry closed. Some of them are making use of extremely valuable rights to export pulp wood which were conditioned upon the construction of a mill. It is true that each was required to deposit \$50,000 but that is the uniform amount required in every case whether there is to be a mill or not, by way of guarantee for the payment of dues, etc. It constitutes no consideration for the contract itself.

The total area involved in these eight contracts amounted to 23,798 square miles, or to use the measurement of area employed in other countries where such vast territories are not available, the total areas granted to these eight companies amounted to 15,230,720 acres. To appreciate what this means in proportionate terms it is worthy of note that this is only slightly less than the total forest area of the whole of Norway which is normally one of the great forest producers of the world.

All of these contracts were signed privately without competition by tender or otherwise, and without any publicity being given to the fact that the areas were available for development.

In this respect it is interesting to recall one of the findings of the Royal Commission which reported in 1922 on the administration of this Department. This finding in that Report indicates that the method employed by the present Minister has been considered objectionable for a long time. These are the words of the Royal Commission Report of Mr. Justice Riddell and Mr. Justice Latchford:

"We are of opinion that no officer, Minister, or otherwise, should have the power to grant rights over large areas of the public domain at will without regard to Regulation; that power was never contemplated by the Statute; it does not at present exist, and should not be given to any individual. Such an arbitrary power subject to no control is obviously open to abuse."

Another finding of the Royal Commission Report of 1922 has a very direct bearing on the present circumstances, particularly in view of the fact that the present Minister had these findings before him at the time he took office. This was another of their findings:

"We found that in many cases there is no departmental record of applications that were afterwards granted; in some cases, there was conflicting evidence as to these. We think this an improper practice. All applications to the Department or any officer thereof for a concession of or right or privilege in any part of the property of the Province should be in writing, should be entered as received, and should be placed on the public files. If at any time an oral application be made, a full memorandum of the application should be prepared forthwith and duly filed. It is unwise to leave matters of importance to fallible recollection, particularly matters in respect of which there is a trust for the people."

We are in entire accordance with that recommendation and we believe that it should be strictly observed. It was followed by the present Minister in scarcely any single instance although properties worth scores of millions of dollars were being dealt with. The evidence is clear that matters of the utmost importance were left to extremely fallible recollection, and in most cases there were no memoranda, no surveys upon which to base values, and it was utterly impossible to ascertain from the Minister upon what grounds he had reached his decision to grant very large and extremely valuable areas to companies which had no apparent assets except the property thus acquired.

The Lake Sulphite transaction combined many extremely objectionable features. The Minister's evidence in regard to some phases of this transaction was so vague that it is almost impossible to know what actually did happen. It was a simple transaction in one respect. There were only two people who had anything to do with the preliminary details of the contract. One was the Minister and the other was Mr. R. O. Sweezy.

The evidence shows that Mr. Sweezy had been engaged by the Great Lakes Paper Company during the winter of 1936-1937 to examine some of their property for the purpose of ascertaining its value and suitability for further development.

Mr. Sweezy evidently decided that part of the property had considerable value and later he approached the Minister to obtain concessions for a new company which he organized under the name of Lake Sulphite Pulp Company, Limited.

Mr. Sweezy succeeded in convincing the Minister very quickly and under a contract with the Government, signed March 3rd, 1937, and amended by a further contract dated July 24th, 1937, the Lake Sulphite Pulp Company, Limited gained the control of 2,346 square miles of very valuable timber limits. No survey of the area was made and there is no evidence on file to show why it was decided that this was the correct area or, more important still, to show why this area was placed under the control of a company which had just been incorporated.

One extremely important aspect of this transaction is the fact that the timber limits which were transferred to the Lake Sulphite Pulp Company, Limited had

been under the control of other companies. They were taken away from those companies under the extremely arbitrary powers conferred upon the Minister by The Forest Resources Regulation Act of 1936.

The contract was approved by an Order-in-Council dated February 27th, 1937. This was passed as a result of a formal recommendation to the Lieutenant-Governor in Council by the Minister dated February 26th, 1937. Two quotations from this recommendation will illustrate the way in which the Minister has conducted the affairs of his department. It begins with the following statement:

"The undersigned has had under consideration the application of Lake Sulphite Pulp Company Limited for the acquisition of certain cutting areas in the Province of Ontario. The aforesaid company, which has been newly incorporated, is desirous of entering the bleached sulphite pulp market, and brings with it a sufficiency of capital to ensure the full realization of its project."

Facts subsequently proved only too clearly that the company did not bring with it sufficiency of capital to ensure the full realization of its project. The company went into bankruptcy while the plant was still far short of completion. It did not have "sufficiency of capital" to the extent of at least two million dollars even at that later date. The evidence showed clearly that the Minister had no knowledge of the financial affairs of the company and that he had no justification whatever for giving this extremely important assurance as one of the reasons for passing this Order-in-Council. When pressed to explain what information he had to justify this statement all he could suggest was that Mr. Sweezey had told him the names of some men of substance who were to take part in the original financing. Even this vague information given informally in conversation proved to be inaccurate. At the time the Minister made this recommendation it was a promotional enterprise and the attempt to raise "a sufficiency of capital" came afterwards.

Another quotation from this recommendation shows the way in which The Forest Resources Regulation Act operates and also the Minister's disregard for accuracy.

"Having regard to the fact that the consummation of the draft agreement attached hereto means the acquisition by Ontario of a new, large and profitable enterprise, the undersigned respectfully recommends as follows:

- (1) That the areas mentioned as comprising portions of certain Pulp Concessions hitherto granted, and which under agreement with the holders thereof have now been abandoned, be withdrawn from such Pulp Concessions under and by virtue of The Forest Resources Regulation Act of 1936."

The fact was that there were no agreements with the companies concerned abandoning any part of their concessions. The evidence made it clear that the Minister had decided that the Lake Sulphite Pulp Company Limited was going to get this area and nothing was going to stand in the way.

This whole transaction should be the subject of a separate judicial inquiry. All the circumstances surrounding it demand explanation which has not yet been

given. When an attempt was made before the Committee to inquire into the financial transactions preceding the disastrous bankruptcy of this Company while it was still far short of reaching the production stage, the Chairman of the Committee ruled that no questions could be asked in regard to the financial affairs of this Company. The position taken was that the inquiry was limited to the activities of the Department and that the Committee had no authority to inquire into the financial affairs of this Company.

The conduct of the Minister in this transaction was most reprehensible. His recommendation for the Order-in-Council misrepresented the true financial position of this Company and also misrepresented the position in regard to the limits then held by other companies. Having regard to the powers assumed under The Forest Resources Regulation Act in this particular case, where existing contractual rights were varied without right of appeal by the companies affected, it was little wonder that the Commissioners inquiring into the Abitibi affairs found a general feeling of insecurity on the part of the industry. This one transaction alone would justify the repeal of this arbitrary Act whereby the Minister can vary existing contracts without offering the companies adversely affected any opportunity to state their case.

Other enterprises, based upon the use of our forest resources, will find it necessary to do public financing in the future and it is in the interest of public confidence in financing of this kind that there should be an exhaustive judicial inquiry into the circumstances leading up to the granting of the timber limits to this Company and the financial affairs of the Company itself.

PULPWOOD SUPPLY COMPANY LIMITED

This is another astonishing transaction. The Pulpwood Supply Company received valuable concessions in the Long Lac area. This is an Ontario company formed for this particular purpose. The Pulpwood Supply Company is owned outright by another company known as the Pulpwood Company, which in turn is owned outright by five large American companies using pulpwood. These companies are:—Kimberley Clarke Corporation; Meade Corporation of Ohio; Hammermill Paper Company; Wisconsin River Pulp and Paper Company; and Nakoosa-Edwards Paper Company.

The most surprising feature of this contract was the arrangement by the Department of Lands and Forests that a waterway, known as the Long Lac Diversion, would be opened up for the floating of pulpwood. The agreement provided that the Company was responsible for the cost of this diversion only up to the sum of \$300,000. Up to the time the evidence closed the Government and the Hydro-Electric Power Commission had expended \$1,281,522.23 on this diversion. It was claimed by the Minister that this was primarily a Hydro-Electric development but the evidence is in no way conclusive that this was the primary purpose of the diversion. There is no satisfactory explanation for the Government undertaking to build a waterway to permit the export of pulpwood.

This raises a question regarding transportation which demonstrates the need for greater co-ordination of our national efforts. There is a Canadian National Railway line through this property and it is hard to believe that some arrangements for the handling of pulpwood by rail to the mutual benefit of the

pulp company and the railway company could not have been arranged. Unless it is possible to arrive at satisfactory freight rates for the handling of wood it will be difficult to develop many rich areas through which there are no navigable watercourses. Unless this can be done many valuable areas will to all intents and purposes remain inaccessible.

In consideration of this undertaking by the Government, the Company agreed that not later than September 1st, 1939, it would commence the construction of a pulp plant in Ontario having a capacity of at least 100 tons of pulp per day and that the mill would be completed and ready for operation not later than October 1st, 1940.

It was further provided that if the supply of timber for the mill was fully taken care of in the operations of the Company, the Company might then export up to a maximum of 100,000 cords of pulpwood per annum, unless the Minister consented to the exportation of a larger amount.

The Company has not done anything to indicate any intention of building a pulp mill. The Government on the other hand has completed its obligation to construct the waterway. And although the Company has completely failed in its undertaking to build a mill the Government has permitted the Company to export large quantities of pulpwood. It is perfectly clear from the Order-in-Council of September 14th, 1937, approving this agreement, and the agreement itself, that the pulpwood which this Company was to be permitted to export was only to be an amount in excess of that required for the mill which they were to build. This contract is in default and should be cancelled.

OTHER 1937 CONTRACTS

Other companies signing contracts in 1937 under which they were granted control of large timber areas were the following:—

1. THE GENERAL TIMBER COMPANY, LIMITED, under a contract dated March 31st, 1937, and amended July 24th, 1937, obtained rights on an area of 2,509 square miles. It undertook to spend a minimum of \$2,500,000 on a mill which was to be completed and in operation by November 1st, 1939. By the terms of the contract the right to export was clearly conditioned on the construction of the mill. This Company is exporting large quantities of pulpwood. It has made no attempt to build a mill and is in default in that respect.
2. HURON FOREST PRODUCTS, LIMITED acquired control of 2,475 square miles under an agreement dated April 19th, 1937. It was to spend \$2,500,000 on a mill which was to be completed and in operation by November 1st, 1939. No start has been made upon this mill and the agreement therefore is in default.
3. SOO PULP PRODUCTS, LIMITED acquired control of 2,300 square miles of timber land under an agreement dated August 11th, 1937. It undertook to build a mill costing \$5,000,000 which was to be completed by November 1st, 1939. Nothing has been done on the construction of this mill. The agreement is in default.

4. ENGLISH RIVER PULP AND PAPER COMPANY, LIMITED. This Company acquired control of 4,815 square miles of timber lands under an agreement dated August 23rd, 1937. It agreed to build a mill costing \$5,000,000 to be constructed by May 1st, 1940. Nothing has been done to start construction of the mill. The agreement is in default.
5. VERMILLION LAKE PULP COMPANY, LIMITED acquired control of 1,906 square miles of timber limits under an agreement dated August 23rd, 1937. It undertook to build a mill costing \$2,500,000. No start has been made on the construction of the mill. The contract is in default.
6. WESTERN PULP AND PAPER COMPANY, LIMITED. This company acquired control of 4,131 square miles of timber limits under an agreement dated August 23rd, 1937. It undertook to construct a mill costing \$4,500,000. The status of this contract is not clear. An agreement was approved and executed but the Company did not pay its \$50,000 deposit. In his evidence on this point the Minister indicated his rather informal way of dealing with such matters. He said in evidence, "I didn't get the \$50,000 deposit, so I didn't deliver the agreement. The agreement is in my office yet and I don't consider it an agreement." There is no evidence however that the agreement was cancelled.

Except for the statement that in the case of the Western Pulp and Paper Company, Limited he did not consider that an agreement existed, the Minister made it clear that the other agreements are being treated as valid and continuing agreements. His explanation for permitting these agreements to continue in force was that there is already over-production from Canadian mills of this kind. That condition did not happen over night. The evidence is clear that Canadian mills have not been operating at full capacity for years. They were not producing at capacity when these contracts were signed. Either it was intended that this should be a condition upon which the grants were made, or the provision for building a mill was only a pretence in the first place. The situation arising from these contracts should not be confused with the general problem of export of pulpwood by well established and highly reputable operators who have been doing that work for years. These contracts were drawn as long term contracts upon the assumption that mills were to be built. If it was not intended that mills were to be built, there is no possible justification for continuing long term contracts only for the purpose of assuring export rights. The contracts themselves should be cancelled, and if it is deemed wise as a matter of policy to permit export, then export rights can be given to these companies in the usual way if the facts justify that course.

There is no occasion to go any further into the details of the administration of the Department. There is every reason to believe that the permanent staff of the Department of Lands and Forests is made up of competent and reliable civil servants. The evidence makes it clear however that the Minister exercises full authority in regard to the most important aspects of the administration of his Department. The question of whether or not the ordinary routine details of supervision are properly performed is a matter of relatively little importance when the Minister juggles with millions of acres of forest land in such an informal manner. By his own admission in evidence he has not even a scratch of a pen on record to show the reasons why it was considered advisable to grant such large

and valuable areas to these particular companies without competition or public notice of any kind. No attempt was made to obtain financial reports of the standing of the companies and in at least one case the Minister admitted that he did not know who the directors of the company were. It is not possible to imagine a more unbusinesslike method of handling the public domain than that which was disclosed by the Minister's own evidence. The casual manner in which the Minister dealt with these contracts obviously opens the door to serious abuse.

EXPORT OF PULPWOOD

This subject was the basis of a great deal of conflicting evidence. Mr. Charles Vining, President of the Newsprint Association of Canada, expressed his opinion that the argument offered that pulpwood exported to the United States would not compete with Canadian newsprint is a delusion. In his opinion it simply releases other supplies of pulpwood, which are then used for newsprint, which would not otherwise have been available for that purpose.

Mr. S. L. deCarteret, Vice-President and General Manager of the Canadian International Paper Company Limited, one of our largest producing companies, gave it as his emphatic opinion that it was only because of the manufacturing clauses in earlier contracts that newsprint mills came to Canada. He was sure that if export is allowed the products manufactured from that export will compete with Canadian products.

The Minister and some others were strongly in favour of permitting export. The main argument was that it created employment at a time when employment was greatly needed. But export has been growing year by year and has now reached the highest point in our history. One of the difficulties in reaching any satisfactory conclusion on this subject, is the absence of sufficiently complete evidence as to what the situation really is. It appears that there has been no real attempt to make an accurate survey of the use of Canadian pulpwood which is exported and what the possible effect of that export really is upon our own industry. It would seem that this requires early and complete investigation.

One of the reasons offered by the Minister for permitting extensive cuttings by companies which have no other present purpose than export, was that the over-matured timber must be harvested in the interest of the forests themselves.

Mr. Herman G. Schance, Chief Forester of the Abitibi Company, had this to say in evidence:—"I think this constant reference to the terrific importance of harvesting this over-matured timber, if I might say so, has been very greatly overdone; I don't think it assumes nearly the importance that has been laid to it."

Mr. E. Zavitz, for thirty-five years in the forestry service and very highly regarded throughout the whole of Canada as an expert forester, scouts the theory that overripe timber must be harvested.

Mr. L. J. Belknap, President of the Consolidated Paper Company Limited, was of the same opinion. There seems to be little support for this attempted justification of export no matter what other arguments there may be. If the

harvesting of overripe timber were so vitally important for the health of the forest one cannot help wondering how virgin forests have remained strong and healthy for thousands of years without anybody to harvest the trees which became ripe.

There may be perfectly good reasons why export should be permitted on a reasonable basis. Having regard to the precarious position of the pulp and paper industry for the past few years and the conflicting opinions regarding the effect of export, it does seem that there should be a careful and comprehensive investigation of the effect of export upon our own business. Such an investigation should be conducted as soon and as quickly as possible by competent experts, and action should be taken in accordance with that investigation.

PRORATION

This is the most controversial subject which came under the review of the Committee. Several briefs were filed and a great deal of evidence was heard in regard to various aspects of this question. Most of the manufacturers of pulp and paper want the proration of newsprint production.

When an attempt was made to work out the details of proration in the first place the difficulty was faced that no system of proration could be effective unless it embraced the whole of the Provinces of Ontario and Quebec. A very comprehensive survey of the steps leading up to proration and the advantages of proration was filed with the Committee by Mr. Charles Vining, the President of the Newsprint Association of Canada. It appears in the records as Exhibit 42.

The Newsprint Association of Canada, representing the newsprint manufacturers, persuaded the Government of Ontario and Quebec to work out a joint policy of enforcement whereby the Department in each Province would enforce a fixed basis of proration upon the companies in the two provinces. One of the difficulties which arose at the outset and which has continued to cause many vigorous complaints is the fact that in Ontario and Quebec certain mills are owned and operated by newspapers in the United States which take their entire output. Very strong arguments were submitted to the committee against the exemption of these mills from the general proration and strong arguments were also made by the companies concerned against their inclusion in the plan for proration.

Most of the producing companies approve of the system which has been put into effect. They argue strongly that it should be continued. The Abitibi Report itself makes a very strong finding in this respect. The Commissioners say: "From the point of view of the national interest in acquiring valuable United States exchange and from the point of view of labour, proration would seem to be highly desirable and we think that the Government should do all it legitimately can to keep it in force." The desirability of proration however does not overcome very serious objections to the method of enforcement employed by the Ontario Government. When the governments of Ontario and Quebec agreed that they would help to enforce the method of proration advocated by the Newsprint Association of Canada, they then passed somewhat similar Acts in each province for the specific purpose of enforcing proration. The Quebec Legislature passed The Forest Resources Protection Act in 1935 and the Ontario Government passed The Forest Resources Regulation Act in 1936. Neither

of these Acts refers in any way to proration. They purport to provide for various details of forest regulation. Each has a punitive section which was the real purpose of the Act. Both provide that the Lieutenant-Governor in Council may at any time increase the stumpage charges. No evidence was offered as to whether or not action has at any time been taken by the Government of the Province of Quebec under that section, but in the Province of Ontario two Orders-in-Council were passed affecting two different companies.

These Orders-in-Council purported to impose an obligation of \$500,000 on the companies concerned. The Minister frankly admitted that the purpose of these Orders-in-Council was to force the companies to observe the plan of proration administered by the Newsprint Association of Canada. When the Companies agreed to observe the scale of proration laid down, the Orders-in-Council were rescinded.

No matter how worthy the objective may be, this is an extremely dangerous practice which should not be permitted to continue. If the Government intends to enforce proration by law, then the legislation passed for that purpose should refer to proration. It is an extremely dangerous principle to pass any law which purports to do one thing and is intended to do something else. The method followed in Ontario for enforcing proration under The Forest Resources Regulation Act can only be described as legalized blackmail. A large sum is demanded by the Government under an Order-in-Council which in no way refers to proration but the company is given to understand that if it will undertake to abide by the proration provisions, the Order-in-Council will be cancelled. Such a practice cannot be excused by the desirability of what it seeks to do. If the method adopted in this case were accepted as a precedent, any pretence of democratic government would soon come to an end.

On this one ground The Forest Resources Regulation Act should never have been passed. There is another reason, however, why it should be repealed immediately. According to the Minister this Act was passed for the purpose of assisting in enforcing the proration plan. But section 3, subsection (b) provides that upon the recommendation of the Minister, the Lieutenant-Governor in Council may "increase or reduce the size of the area or areas included in any license, lease, concession, agreement or arrangement, having regard at all times to the maintenance of a sufficient supply of timber for the purpose of the business of the company holding such license, lease, concession, agreement or arrangement."

It would appear that this provision was originally passed merely as one of the punitive provisions by which companies could be forced to abide by the proration agreement. But the Minister has on more than one occasion used this provision to transfer areas from one company to another without consulting the wishes of the company which originally held the area. Under this sweeping power every contract is subject at all times to the whims of the Minister. It is no wonder that the Commissioners in the Abitibi Inquiry found a general feeling of insecurity. This provision undermines the foundation of any contract and gives the Minister arbitrary powers wholly inconsistent with our established principles of government.

This Act should be repealed immediately. Fortunately there is a way of enforcing proration far more effectively than under any indirect method devised

by the governments of Ontario and Quebec. Under The War Measures Act, there is no question about the right of the Dominion Government to control the output of newsprint or any other commodity.

During the last war the Dominion Government controlled the price of newsprint under the War Measures Act and the Privy Council subsequently upheld the validity of this course, and made it clear that the powers of the Dominion Government under the War Measures Act are sufficiently wide to deal with proration as well.

Representatives of the newsprint industry made it clear that they thought proration would be very much more effective if it could be carried out as a national measure but while we were still at peace there was no way in which that could be done. Now that we are at war it can be done. Since it would obviously be so much more satisfactory to do it in that way the members of the newsprint industry should make the necessary representations to the Dominion Government. The Provincial Government should not be asked to do something which it can only do by a subterfuge of this kind.

As questions of exchange are involved in the export of newsprint and other forest products, it would seem desirable that the government which is directly concerned with those matters and is dealing constantly with the Government of the United States, should exercise whatever control is to be exercised for the duration of the war, particularly in the case of an industry which is so completely dependent upon the export market in the United States.

The industry could then work out some comprehensive plan for the future. The history of proration in other industries does not suggest the wisdom of holding this umbrella indefinitely over this particular industry. It is obvious that proration is only necessary while an industry is not producing up to capacity and while that condition persists it is equally obvious that they are not producing at the lowest possible cost. When the war is over and world trade is resumed, the Canadian product will necessarily be forced to compete in a price basis with the products of other countries. They will not be able to do this unless the price of the product is based upon the maximum efficiency of production. For that reason the control which can be exercised by the Dominion Government for the duration of the war is adequate for the purpose of protecting the newsprint industry as a whole until it can work out some long term plan. This is something which should be undertaken by the members of the industry themselves. They should make direct representations to the Dominion Government.

SALE OF SUMMER RESORT AREAS

The evidence before the Committee was conclusive that almost incredible difficulties are placed in the way of those seeking to purchase summer resort sites on our smaller lakes. This may not be so serious for people living in Ontario who can take the necessary time to arrange for the details of purchase under the cumbersome system now in force.

But the war provides many added reasons why we should encourage visitors from the United States to buy summer resort sites and build their summer homes in Ontario. Quite apart from the fact that we should welcome them in any

event as friendly visitors to our country, there is the important fact that if they actually stay here for the summer months they spend a substantial sum which will greatly help in the maintenance of Canadian exchange in the United States.

Some simple plan should be worked out for the accurate survey of all areas surrounding our attractive summer resort lakes and it should be possible for an applicant to obtain title to available property without delay. This presents no practical difficulty. Lots of appropriate sizes can be surveyed and marked in some way on the ground and these plans can be kept at some point near the area in question and placed under the control of someone who should be vested with the authority of a Registrar under this particular act. The prices of all lots should be fixed in advance and clearly marked so that there will be no haggling or doubt either as to price or location. The fact that summer resort lots are to be obtained in this way should be fully advertised in the United States.

METHOD OF CONTROL

The organization of companies, their financial structure, and their ability to carry out their undertakings are all matters over which some measure of control should be exercised, having regard to the fact that the Government, as the representative of the people, never completely parts with the title to the forest domain. The Abitibi Report makes this important finding: "It must be fairly obvious that the Government and the public have a huge stake in the pulp and paper industry. The Government is perhaps the senior partner and as such through the course of years has imposed upon itself contractual obligations looking towards the development of important areas in the Province. Nevertheless it is also a trustee of the public domain. Neither can it be overlooked that the contractual relation created carries with it equitable obligations to the investing public, not only bondholders but shareholders as well, which provided this money for the desired development on the strength of the Government's given word."

The Abitibi Report also points out the extent to which every company depends upon the continuing good-will of the Government. The Abitibi Report finds that in the case of the Abitibi Company there are 37 different requirements which the Government must fulfill to assure the successful operation of the company. In varying degrees this is true of every company.

There is another reason why the Government, or such body as exercises control over the affairs of these companies, must maintain an extremely close association with their activity. Towns are built up around the large industries created for the utilization of forest resources. There are cases in Ontario to-day where whole communities have been placed in dire want because of the closing down of mills. There may be various reasons for this happening. The explanation given usually is that the mills are inefficient. But certainly there have been cases where the only reason that the mills are inefficient is because the cutting methods have placed the mills out of contact with immediate sources of supply. In other words bad cutting has denuded the immediate area around the mill and increased cost by making it necessary to go too far away for wood. Evidence was given of this happening both in Ontario and in Quebec.

This makes it clear that there are very powerful humanitarian reasons calling

for the strict enforcement of proper cutting methods so that communities will not be left without their main source of employment simply because of failure to enforce proper requirements.

Having regard to the fact that the Government is really a partner in the business, as has been pointed out in the Abitibi Report, steps should be taken to assure sound methods of financing so that the confidence of investors in this industry will be restored. It is doubtful if any other industry in Canada has been so bedevilled by unsound financing methods in the past. While there is no way of assuring the success of any industrial enterprise, much can be done to restore confidence by insisting upon some assurance of adequate financing before granting valuable areas to new companies and permitting the establishment of new communities which will be dependent for their security and welfare upon the continued existence of the company.

There are many reasons why it seems that the time has come for a radical change in the system of controlling and developing our forest resources. As has been pointed out, we are just at the beginning of a new period of expansion which will call for the most scientific methods of supervision and control. Every expert witness who appeared before the Committee was emphatic on the point that scientific research is the most vital need of the forest products industry in so far as future development is concerned. They were also agreed that conservation and reforestation are essential to assure a preservation of the forest crop. For reasons which have already been explained, it was extremely difficult to get accurate evidence in regard to the effectiveness of the present system of control over cutting methods. Sufficient evidence was given, however, to show that even with our vast resources there have been serious inroads upon many valuable timber stands without any regard to the future. In any event it is a matter of observation to anyone who travels through our timber areas that many magnificent timber stands have been mercilessly destroyed without any pretence of conservation or reforestation.

It was also agreed by most of the expert witnesses that there is urgent need for a complete survey of the forest industry as a whole and much more effective co-ordination of available information.

The need for research was instantly stressed. It was particularly in this respect that the suggestion arose regarding the desirability of placing our forest resources under a Commission.

There are many similarities between the control of our forest resources and the control of electric energy. Both of these public assets are of continuing value and remain the property of the state. Each demands constant scientific supervision, constant research, and a continuity of administration which is difficult to maintain under cabinet ministers who change from time to time and who may have little or no knowledge of this extremely complex subject.

Although possessing relatively small forest areas compared with ours, Sweden is the second exporter of forest products in normal times. This is achieved by efficient methods and without any reduction of the forest crop. It is generally recognized that Sweden, Finland and Norway have established the most efficient forestry systems in the world. Of these Sweden is the most important and for

that reason the method they have adopted is worthy of examination. It should be remembered that while our experience in production of newsprint is comparatively recent, Sweden began the production of newsprint as far back as the 16th Century. They have found that the best method of controlling their forest resources is to place them under Commissions. There is a Forest Commission in each province and all these commissions in turn are under the central control of the Forest Commission Board in Stockholm.

This system has proved entirely satisfactory and similar systems have worked out satisfactorily in the other Scandinavian and Baltic countries.

We believe this practice should be followed in Ontario and that an Ontario Forest Resources Commission should be set up to exercise full control over the administration, conservation, reforestation, and industrial utilization of our forest resources. We believe this should be organized along similar lines to the Ontario Hydro-Electric Power Commission. It should be the only body having authority to make contracts for timber concessions. Having regard to the fact that public assets worth hundreds of millions of dollars are involved the Commission should be completely divorced from politics and placed under the direction of men of the highest type of business ability.

It should be the duty of this commission not only to administer and protect the present forest resources, but it should also be their duty to lay plans for the future so that the greatest possible amount of employment may be assured for the critical days following the war.

We believe that by turning over the control of our forest resources to such a commission, many of the questions upon which it is now difficult to reach a decision, will be easily solved. Such a commission would be at all times a fact finding body and its co-ordination of information would make it possible to reach decisions with a full understanding of vital facts which are not now available.

We believe that many questions which now are in dispute would be solved without difficulty by such a commission. We do not intend therefore to refer to a number of other points raised before the Committee.

RECOMMENDATIONS

Upon the basis of the above review of the situation we make the following recommendations:—

1. The administration, conservation, and utilization of the forest resources of the Province of Ontario should be placed under the control of a commission to be known as the Ontario Forest Resources Commission, which commission should have similar powers to those conferred upon the Ontario Hydro-Electric Power Commission.
2. All legislation relating to forest resources should be codified in one Statute.
3. The Forest Resources Regulation Act should be repealed.

4. A system should be devised immediately under which it will be possible to give title without delay to those wishing to buy summer resort sites.
5. Facilities should be assured for continuous, vigorous and comprehensive research no matter what system of administrative control is adopted.
6. There should be a judicial inquiry into every detail of the promotion, organization, financing and collapse of the Lake Sulphite Company Limited. The Chairman of the Committee ruled that the internal affairs of the Lake Sulphite Company did not come within the scope of the inquiry and consequently it is impossible to make any conclusive report on this important subject. Public confidence in the method of financing our forest industries is essential to future development. In view of the extremely informal basis upon which the Minister dealt with the man who organized this company, accurate information should be available as to what actually did happen so that everything possible may be done to prevent similar financial disasters involving the public domain.
7. Some clearly defined long term plan for conservation, reforestation and silviculture should be established as soon as possible, and full details should be given to all officials, companies and public bodies concerned.
8. Forest areas should not be granted to any company or individual without some form of public notice. Throughout the long history of forest administration, secret negotiations, such as those which preceded the completion of all contracts entered into by the present Minister, have been condemned as being contrary to the public interest.
9. An impartial committee of highly qualified experts should be appointed immediately to conduct an investigation into the effect upon the Canadian forest industry, present and potential, of the export of pulpwood under the policy now in force. In this respect a clear distinction should be drawn between established Canadian timber operators and dummy companies which have obtained their right to export upon unfulfilled undertakings to construct mills.
10. An impartial committee should be appointed to explore the possibilities of finding special war work for the mills at Espanola and Sturgeon Falls. The fact that these idle mills are at present the property of an operating pulp and paper company should not be permitted to stand in the way of any satisfactory plan for opening these mills. Special attention should be devoted to the possibility of making use of these mills for the production of some of the new chemical by-products of wood.
11. Some effective method should be devised immediately for the purpose of co-ordinating all available forestry information, and machinery should be set up for the continuous digesting and co-ordination of information in regard to all phases of forestry and the utilization of forest resources.

12. Comprehensive plans should be prepared for the purpose of creating every possible type of special employment in our forests and forest industries, which plans would be put into effect when the war ends to provide the maximum employment opportunities for demobilized veterans and munition workers requiring some new form of employment.

April 8th, 1941.

GEORGE DREW,
FRANK SPENCE,
HAROLD WELSH.

Proceedings

TWENTY-FIRST SITTING

SELECT COMMITTEE OF THE HOUSE TO INVESTIGATE, INQUIRE INTO AND REPORT UPON ALL MATTERS PERTAINING TO THE ADMINISTRATION, LICENSING, SALE, SUPERVISION AND CONSERVATION OF NATURAL RESOURCES BY THE DEPARTMENT OF LANDS AND FORESTS.

Parliament Buildings,
Monday, April 22nd, 1940.

Present: Honourable Paul Leduc, K.C., Chairman; J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. Spence, M.P.P., F. R. Oliver, M.P.P.

THE CHAIRMAN: The Committee will please come to order. Mr. Flahiff, have you that resolution?

MR. FLAHIFF: Yes.

THE CHAIRMAN: Will you please hand it to me?

MR. FLAHIFF: Yes.

THE CHAIRMAN: Since the last sittings of this Committee, on the 24th of February, the House passed the following motion:

“Ordered, that the Select-Committee of this House appointed by the House on Tuesday, April 18th, 1939, to investigate, inquire into and report upon all matters pertaining to the administration, licensing, sale, supervision and conservation of natural resources by the Department of Lands and Forests, is hereby authorized to sit during the recess following the present Session of this Assembly.

“And that the said Select Committee shall have full power and authority to call for persons, papers, and things, and to examine witnesses under oath, and the Assembly both hereby command and compel the attendance before the said Select Committee of such persons and the production of such papers and things as the said Committee may deem necessary for any of its proceedings or deliberations, for which purpose the Honourable the Speaker may issue his warrant or warrants.”

And, since the Committee last sat, Mr. M. McIntyre Hood, who was secretary, has been called to active service and is now in England. I have before me a motion made by Mr. Nixon, seconded by Mr. Drew, that Mr. Terrance Flahiff be appointed to act as secretary of this Committee in the place and stead of Mr. M. McIntyre Hood. Should this motion be carried?

CARRIED.

I have also a few letters and telegrams which I would like to call to the attention of the Committee:

I have a telegram from the Port Arthur Industrial Commission, per C. E. King, Secretary. It is dated:

Port Arthur, Ontario.
February 22nd.

"Owing to Press reports of statements made at the Timber Inquiry to-day, the Port Arthur Industrial Commission hereby request that they be permitted to have a representative appear before the Inquiry Commission in order to present facts which they believe should be brought to the attention of the members of the Committee of Inquiry.

"Please wire reply to the undersigned."

The Committee was adjourned a couple of days afterwards and no reply has been sent as yet.

Is it the wish of the Committee that this gentleman be notified?

Then, the secretary will communicate with Mr. King.

I have also a letter received since the Committee last sat from Mr. Charles W. Cox, dated:

"Port Arthur, Ontario,
February 29th, 1940.

"Honourable Paul Leduc,
Chairman Select Legislative
Committee on Timber,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Leduc:

"Although I have had no intimation of any kind from your Committee since I voluntarily appeared before you to testify on the 22nd inst., press reports indicate that attacks were permitted to be made in my absence, which involved the accuracy and character of evidence submitted.

"This would seem to me most unfair. In like circumstances in future, I think such statements should not be heard by the Committee without opportunity being given to both sides to be present and heard on any question raised.

"Should your Committee desire any further information establishing the correctness of the statements to which I testified, I will be very glad to furnish further substantiation at the convenience of your Committee."

I answered this letter as follows:

"Toronto, March 4, 1940.

"Dear Mr. Cox:

"I have your letter of February 29th and note what you say concerning the evidence given before the timber inquiry.

"You will remember that after giving your evidence, the Committee agreed to hear Mr. Johnson the next day. It was your privilege to attend the sittings of the Committee on that day.

"In any event, I shall be glad to bring your letter to the attention of the members of the Committee at its next sittings."

Which I have done.

Then, I also received a long letter from a gentleman in Winnipeg raising some question about the forfeiture of some land which he owned and on which he had to pay the Provincial Land Tax. I do not think it is a matter which we should investigate without calling Mr. Brown,—and I do not believe he is anxious to come here,—but if any member of the Committee wishes to know anything about it, I will explain the matter to him. It is purely a matter of administration.

Mr. Johnson is here at this time. I believe that when this Committee adjourned Mr. Johnson had not completed his evidence.

Is it the pleasure of the Committee that he be recalled and be permitted to complete his evidence?

EDWARD E. JOHNSON, Recalled,

THE CHAIRMAN: Q. Mr. Johnson, I believe when you stepped out of the box at the last sittings you had mentioned competitive bidding and you stated that it is a very difficult thing, because whatever one government does,—speaking entirely away from political affiliations,—whatever one government does, there are always two very strong positions. The pros and cons are somewhat balanced, perhaps. But, whatever one government does, it is so easy to throw this problem into the political arena, and throw the forest wealth into a political football. And you went on discussing the matter with Mr. Nixon.

Have you anything to say on that point? Perhaps it is the natural thing to take up first?

A. Yes. The one difficulty, from a practical point of view involved in that question is that we have so many upswings and downswings in business, when timber values are reflected in markets,—and timber values, of course, include the pulps and papers,—in the time of acuteness, when competitive bids are asked for, those bids may represent the then existing values of that stumpage.

On the other side of that observation, when business conditions are abnormally low and timber is put up for sale, those values may be considerably less than normal, say. Where cash is deposited at the time of the bid, bonds are given in performance and plans are constructed. There is then a firm contract between the bidder and the Government.

You are met immediately, where there is a downswing after a high bid or an upswing after a low bid, as a practical workable problem, how are those timber dues going to be sufficiently flexible to permit that person who is a successful bidder to continue on a downswing when he has a firm commitment made at the time of an upswing.

Q. You might have the same difficulty if the price was arrived at by agreement between the Minister and the operator?

A. Yes.

Q. It might be made at a period when prices are very high and it would not be workable a year or two years afterwards, or else it could be made at a time when prices are very low and it would not be fair a year or two afterwards. You find the same difficulty in both cases?

A. You do, in one case the man cannot pay high enough and in the other case the Government cannot receive enough for its timber. The second observation is perhaps this: Ordinarily where our timber perspective in Ontario has not been established on a complete diversification in various kinds of fabricating industries, predicated on timber,—and I maintain the diversifications are the biggest problem, perhaps, that where you have seven different species of timber,—for instance, one who is building a pulpwood mill will be interested only in pulpwood, which is only one part of the species. Then, take spruce, and you have in that spruce tree a sawlog, but if you are going to lumber you could have trench timber, mining timber and small timber. The man who asks that that area be put up for sale is interested perhaps only in spruce pulpwood and when it is put up for competitive bidding he can afford to bid high on railway ties, sawlogs or mining timber in spruce, and very high on all the other six species, because he intends only to take off the pulpwood.

That is a situation which can so easily be abused, not to hurt anyone, but merely for the protection of the man who wants to get raw material as cheaply as he can. Of course, that is quite a difficulty.

MR. COOPER: Q. Is it practical for the one operator to utilize all the different species of timber?

A. Yes, decidedly so.

Q. Well, would that not mean that he would have to go into different products?

A. Yes, sir.

Q. How could that be done?

A. That, I maintain, should be done as a practical proposition in all timber resources, but may I continue on with this observation: Where you are thinking of the Booths or the Gillies, or any other timber operators, where they have been operating in one water shed for a number of years and they have a desire to add another ten square miles onto their cutting, where they put in the roads, the dams, the river improvements and they cut that timber to perpetuate the industry, as soon as it is put up for competitive bidding it gives an opportunity for a competitor to establish himself in that watershed on a basis of a nuisance value.

THE CHAIRMAN: Q. Or to another man, such as a speculator, to hold up the man who has been operating for a number of years?

A. Yes, and not only in the question of the holding up of price but in the question of control of the rivers and control of the watershed.

I think I have answered the three questions, that it is objectionable to competitive bidding.

There are advantages, of course. First, deal with public competition. You even see it in the many markets to-day; in New York and Chicago. Some industrialists think that on a floatation of securities it should be public bidding. Others believe it should be private sale. There is, of course, this in favour of competitive bidding, that the best way to establish a price is by competition, but many times where areas are put up in competition there is still an opportunity for collusion between bidders. I think I have answered whatever might be involved in that question.

HON. MR. NIXON: You have raised the question, but what have you to advise?

THE CHAIRMAN: Yes, what suggestion have you to make?

A. I did not want to be that presumptuous, but however, my opinion is, a committee, a commission, or the Minister of Lands and Forests with whom ever he brings in in consultation. In the matter of fixing stumpage dues, how are you to determine what is going to be fair, under all conditions, to the bidder, to the Government, to the public and particularly to labour? The ultimate factor which should be all-controlling is the ability to sell your product. The market establishes the value of your raw material. So, my belief is that granting that the public servants are honest,—and there has never been any question of that in my mind,—there may be a little variation as to what one person may think, as against another, as to what those values should be, but I am firmly of the opinion, sirs, that private sale should prevail with whatever checks and balances as are necessary.

Just what those checks and balances should be is more a political than a industrial question, perhaps.

MR. COOPER: Q. Would you suggest an adjustment of dues over a certain period; say a year?

A. I would, yes, sir, and I believe that of your 1700,—or, I am not sure about the number. How many timber licenses or timber concessions are there in the province, Mr. Heenan?

HON. MR. HEENAN: About twelve hundred.

THE WITNESS: Well, of the twelve hundred licenses, I presume a very substantial part of a number of those licenses are throttled and paralyzed because of some of the difficulties of the past in the last fifty years in the alienation of those areas, and those areas should be unshackled in some way and put into production of all the species.

MR. DREW: Q. What example have you of what you mean by that?

A. That is covered by my first remarks, Colonel Drew, in that where a pulp mill just interested in pulpwood has bid so high on other species, where there has been spite bidding, where there have been the upswings and downswings in business, that all those areas which have been alienated from the Crown during all the many years are to a large extent hamstrung by just those conditions, which is really no fault of anyone.

THE CHAIRMAN: Q. What remedy would you suggest in that regard; because that point has been mentioned here, and it was also mentioned on Friday at the Conference and I have heard complaints about it in addition. Suppose a man who is interested in pulp only bids a very high price for other species of timber and does not do a thing to operate or to cut the other timber for years, do you believe the minister should have the right in some way to compel him to cut the other timber or else cancel his privileges?

A. I say "Yes and No." Cancelling privileges where he needs pulp —

Q. Not as far as the pulp is concerned, but as far as the other species are concerned?

A. Yes, I would. I cannot see why he should be permitted to take the position of the dog in the manger. He is not interested in it himself: he is not cutting it, nor is he permitting others to do so. I think one of the principal difficulties in all that virgin country from the Sault to the Manitoba border is that difficulty.

MR. SPENCE: The more pronounced it is, the larger it is.

THE WITNESS: It is apt to be, because where tremendous areas are tied up in pulp concessions, and only the pulpwood is the basis of how much should be tied up to work that particular mill; all the other species are not taken into consideration at all.

MR. COOPER: Q. Do you not recognize this difficulty? For instance, up in my riding there is one operator who practically exclusively buys timber. You would not want to drive him into the pulp and paper business?

A. No, sir. Shall I answer your first question as to diversification and this question next? Which do you want me to answer first?

Q. Answer my last question first and go back to the first one.

A. No, decidedly not. There is one unfortunate situation here. The sawmill man or the railway-tie man is not paper conscious, nor is the pulp man timber and sawmill conscious.

Nature has thrown together our interspersed species, of various densities, of various sizes and of various uses. To unscramble those interspersed species is a challenge to the industry, which includes not only the sawmill man, the pulpman, the paper man and the railway tie man, but several kinds of products involved in those basic raw materials. So, answering your question more indirectly than directly, perhaps, Mr. Cooper, I have always felt it would be comparatively easy for those institutions who want only pulpwood, where there are a certain number of railway ties and sawlogs within that pulpwood area to deliver the sawlogs or the railway ties on those areas on which they are operating to the sawmill man or the railway tie man. Likewise, too, a man who is running a sawmill or is interested in mining timber or railway ties, that pulpwood which he experiences in his operation, he should turn over to the papermills, so there should be, I say, a mutuality of interest between the two. As a matter of practical application, it is comparatively simple to do so because then you have to decide only upon a uniform measurement of exchange; sawlog for pulpwood; pulpwood for sawlogs, that each experience in their respective operations.

Q. Do you not run into that very difficult problem? Who is going to make the improvements?

A. I have always felt that. For instance, in Sweden and Finland, the governments feel that their waterways are highways and the public has merely an easement of ingress and egress.

Involved in the question of watershed is the question of erosion, fishing, keeping bark out of the streams which interferes with fish life, the driving of various species of timber and in that respect might I respectfully suggest to this committee that trunk highways are of extreme importance running east and west across the Dominion, but lateral highways penetrating the wilderness,—if you might call it such,—would give breadth to wealth. They would fan out the depth of wealth across Canada for bidders of waterways as well as railways and highways. I have in mind perhaps a dozen watersheds in the Province of Ontario which I feel the Government might be well advised, if I may say it that way without trying to be presumptuous and say otherwise than that you have done everything that you should do, to perhaps look into those principles, perhaps not as it has been so much necessary in the past, but surely in the future, because I believe we now have a chance to have our day in court in rehabilitating our somewhat lost diversified timber businesses.

Now, may I answer your first question, Mr. Cooper?

Q. Yes.

A. On the question of diversification of industries: I will try to not make this too long, but your question is very extensive in its ramifications and possibilities. There are, say, seven different species of timber in our country,—in the north Lake Superior country of which I speak.

In some areas you will have 75 per cent. poplar and birch. In other areas you will have 90 per cent. spruce and 10 per cent. jack pine. In other areas you will have 90 per cent. jack pine and 10 per cent. spruce. You have every type of species, all the species being so interspersed in various percentages that to unscramble them is quite an undertaking.

That unscrambling required from a practical viewpoint gives rise to, what is one to do with the different species, and, what can they be made into, and how can the fabrication and utilization in each be synchronized into the other? Poplar, for instance: poplar can be peeled. Peeled poplar pulpwood, which goes into soda pulp and poplar sawlogs can be sawed into lumber which goes into the cheese and butter boxes. It is useful for that purpose because it carries with it no taste. By that I mean there are no chemicals which make your butter taste like the chemical in the wood.

Take jack pine: Jack pine pulpwood peeled and unpeeled: jack pine railway ties; jack pine lumber and jack pine poles. For instance, in spruce, you have spruce lumber, spruce pulpwood, spruce mining timber and spruce ties.

Then, you have the same question in birch; a matter of veneer. That is a tremendous industry in the Nordic countries. Veneer has great possibilities and I expect to go into this question later. I expect to go into the question of birch and poplar, of which we have made a very comprehensive study for the last three years, so on the question of diversification, rather than go into a long discussion of it, I feel that the diversification problem is a challenge to the Government, the sawlogger, the paper mill man and the railway tie man. We have developed various businesses along separate lines, and I believe, with the co-operation of the Government, which we have always had, that there is a tremendous possibility in effecting economies in our costs. That is mighty important.

I hope I have not taken too much time on this. You must understand, you cannot just answer these questions by "Yes" and "No".

MR. DREW: Q. On that point: Of course these explanations you have given arose from the question of competitive bidding, as I understand it?

A. Not Mr. Cooper's.

Q. I realize that, but this general discussion started with the advantages or disadvantages of competitive bidding, and I think we have gone a little away from that, without an attempt to find the answer. You have given some explanations as to objections as well as advantages of competitive bidding and one of the explanations for possible objections to competitive bidding which you raised is that for instance at a time when prices were high a man might make a bid which would be based on a valuation of the resources, which would perhaps at a later date prove to be much too high.

Then, in addition to that he might deliberately overbid on the types of wood which he was not going to actually use, for the purpose of keeping others off who might desire them.

For instance, if he only wanted pulpwood, he might bid high on all the others

in order to keep others off and get his pulpwood at the price he wanted. I cannot just see why private sale does not raise exactly the same possibility?

A. Well, in private sale, it would seem to me,—in partially answering your question,—that the Government should more or less insist that whoever took an area should present to it that diversified group of industries which would use all the timber on the area, except just merely the industry which uses only a part of it.

Q. Would that not be possible on a competitive basis as well? Let me tie in something with that point. After all, you speak of having some checks and balances on the private sale. There should certainly also be some checks and balances on the use under a competitive award?

A. That is right.

Q. Because it is perfectly obvious, it seems to me, that the opportunity to bid on an area and on certain types of wood which are not going to be used should not permit the man to continue to occupy that territory as against others unless he actually carries out the intended use of the wood on that area?

A. That is correct.

Q. Then, does that not get back to the question more of the administrative control than of the desirability of one type of bidding against the other?

A. As a matter of future policy, yes, and likewise too, that question comes into prominence. How are you going to rearrange that which has happened in the past because of the system of public bidding which has been taken advantage of, perhaps, to have those areas put into production?

THE CHAIRMAN: There is another objection which I believe you submitted to us a few moments ago, that operators such as the Booths or the Gillies may have worked in a certain watershed for a certain number of years, but when requiring some additional acreage in order to continue operations, if this particular area wanted is put up for sale by competitive bidding, someone else may come in and out of spite overbid. That is the point you mention, I believe?

THE WITNESS: Yes, sir.

MR. DREW: Q. Of course, that is perfectly obvious. At any time a man can bid more than he intends to actually pay, because he can avoid paying for it if he does not use it, but it again gets back, it seems to me, to a question of administrative control. Does that not seem to be so?

A. Yes, sir, but there is this much more important observation, in following up your question. Where practically all of the accessible desirable timber in the Province of Ontario has been alienated through these various methods, are you not met more with the problem of the solution as to that which has happened in comparative improvements, and of course to determine the future policy of alienation of timber areas? Do I make myself clear?

Q. I think you do. I think you make yourself perfectly clear in that respect. Your point is that at the moment practically all of the available areas have been alienated from the Crown, subject of course to recall under the conditions pertaining to the contracts, and consequently if we are going to consider a way of awarding these territories and even consider the question of competitive bidding, it involves a readjustment of the whole situation?

A. Yes and 90 per cent of your problem, I presume, is how are you going to arrange to put all these areas, where only part of the species are required now, into production, to recapture our lost markets.

Q. I do not know whether or not this comes in at this point, because I understand from what you say that you will cover this more fully later on, but you have spoken about the desirability and a challenge this presents to the Government and to the industry, to work out some system of diversification which will utilize all these resources. Were you here Friday?

A. No, sir. Unfortunately I was out of town. I was here neither of the days nor did I hear any of the discussion. I just returned to the city.

Q. On Friday there was a representation of different interests and while there were a lot of very interesting suggestions, or useful suggestions, there was nothing which suggested how these were to be brought together. Each group was dealing with its particular problem and what I would like to have most is some suggestion as to how they are going to be brought together.

A. Well, I look at this quite differently than do any ideas that I have heard heretofore expressed or read.

Q. Do not let me interrupt your train of thought, because unless you do we are not going to get very far as we have not yet had any ideas which would lead to a practical solution of this problem?

A. I believe, Colonel, that the sawmill is the major pivotal industry to develop any area.

Q. When you say that, how does the value of sawmill product or products compare with the value of the pulp mill product or products?

A. Well, it is in addition to the value produced by the pulp and paper mill, not that much less. In other words, I feel in the Province of Ontario, for instance, that the present alienated areas in the pulp concessions will support an annual production in sawlogs of 300,000,000 feet.

Q. And what is the production now?

A. Nothing to speak of.

Q. There is some?

A. No, I think not; not in the areas I mean.

HON. MR. NIXON: Q. Those areas for pulpwood operations?

A. Yes. I feel that the centre of all your diversified industries should be the sawmill altogether. The sawmills take care of the mature timber. They use that which should be cut.

MR. DREW: Q. And is there an available market for that?

A. Yes, sir. The available tributary markets to the Great Lakes system, in normal times figuring 200 lumber feet per capita per year, is about 10,000,000,000 feet in the United States annually. And, in England, I feel now, with the blacking out of these Nordic countries, England requires 4,000,000,000 feet per year in only the Liverpool and London markets. For this reason the sawmills should cut all the matured lumber of all these species. Dealing with the refuse from the sawmills, for every thousand lumber feet which you cut you have 600 cubic feet which is now wasted; burned up.

I was going to develop on that matter in my regular agenda.

Q. I do not want to suggest that you depart from your prepared agenda, but I must confess that at the moment,—and when I say this I do not want to suggest that it practically closes the argument,—that the reasons you give for indicating your preference for private sale as opposed to public competitive bidding, do not seem to me to depend upon the desirability of competitive bidding as against private sale, but rather depend upon what you call the checks and balances under the control of the Department.

A. That is right, but you have brought up another question, however, what would you suggest as against the present policy of alienation, as I take it, for only pulp and paper purposes. I feel that an alienation should be made first for sawmill purposes, because around it I have built all the other diversified industries. I suggest your slabs would go into chips, your chips into sulphites and sulphate and your sawdust would go in as a basis for linoleum and wrapping for gum. I brought gum along to-day and am going to give one to each of you, if you do not mind.

Q. Is this made from our forest products (indicating package of gum)?

A. Yes, sir, it is.

MR. COOPER: The wrapper?

A. No, sir, that little bit of white coating on the gum which looks like sugar is birch sawdust. I know of one company in Wisconsin which ships three cars of birch sawdust a month to Wrigley's in North Tonawanda and they get for it delivered \$27 a ton. Now, why is that not a problem of this Commission?

MR. DREW: Of course we are getting back to the suggestion that has already been made of the necessity of some form of research tied in with the co-ordination of the industry. Is that not so?

THE WITNESS: Yes. I thought you would like to chew a little sawdust when thinking about these problems.

MR. DREW: I do not know, but perhaps the reporters have trouble enough with us already.

MR. ELLIOTT: Q. Do you suggest that there is a lot of timber now used as pulpwood, which should be sawed up?

A. Yes. You are using the highest grades only for newsprint. The highest grades of timber in the world are being used for newsprint, which means that the highest grade of timber in the world is going into the lowest grade of paper.

MR. SPENCE: Q. There is no demand on the Government at the present time for sawmills, is there?

A. Well, I am building one.

MR. COOPER: Q. If a log goes into a sawmill and is cut into lumber, how does the price compare supposing the log went into the pulp industry?

A. Your sawmill industry employs more labour than does the pulpmill. A pulp mill may cost \$4,000,000 to build, whereas a sawmill may cost only \$1,000,000, but after it is built it will employ many more men than will a pulpmill, because in a pulpmill you use very few men whereas in the sawmill you use a lot of men.

MR. COOPER: Q. The return in pulp is far greater than it is in the log?

A. Is it?

Q. I am asking you.

A. I thought you made a statement.

Q. I did, in the form of a question.

A. Oh. I would like to say this, then: A thousand feet of spruce ship-lap will equal 2,000 pounds. That spruce shiplap, delivered at Detroit to-day at an 82 cent rate, will bring you \$31.50 a thousand. Your newsprint, delivered in Detroit will bring you \$50 per ton. Do you see?

Q. Yes.

A. Now, here is my position. You have so much timber wealth and you must have several industries in production in order to produce that timber wealth. The mere fact that you saw a certain amount of spruce into lumber does not take away from your production of pulps. It is an addition to, not a subtraction from and a sustained yield of the territory of which I speak will support at least three hundred million feet of lumber and perhaps three or four times your present,—oh yes, including Kenora, which is away back in the backwoods,—demand; maybe 1,500,000 tons of additional chemical pulp a year, besides railway ties and whatnot.

MR. ELLIOTT: Q. Would the pulpwood operators agree to use the Limbwood which is now discarded?

A. Would not use the limbs.

Q. Well then, the parts you say which are now wasted and not salvaged?

A. That is a big question covered by these articles in regard to the Quebec situation, which I was going to cover later.

Q. Would that not increase the costs of the operator?

A. No, sir. If you have developed an area with highways, dams, river improvements and everything that goes into the development of an area, you can see that if you are to take out seven different species as against only part of one specie, your logging costs will be decidedly less. So, on the question of diversification of your industries, your logging advantage would be tremendous as against the present system of just going in and cutting out the value of the spruce.

MR. ELLIOTT: Q. Why don't the pulpwood operators take the salvage now and use it for pulpwood purposes?

A. Because they more or less control the sawlogs and they cut out what they want and even put sawlogs into pulp and they do not take the other six species at all.

MR. DREW: Q. Isn't the answer, Mr. Johnson, that the system which has been permitted for some years is a system which actually encourages high-grading in timber?

A. I think so. But you see, Col. Drew, right now with the European markets cut off we have an economic necessity which is moving in our favour which has heretofore not been true. Heretofore about the only kind of development that you could try to get in here were the pulps, the railway ties and lumber, which has not been true so much during the exigencies of war if we may speak of it as that, which have given us an opportunity that we haven't had before, and I think it is not unpatriotic to make that observation.

Q. I think we must recognize it, but I am inclined to think, although there is a tremendous amount from the Scandinavian countries, we may be inclined to be too much impressed with the part they have played in the world markets, because I understand the production of the Scandinavian countries has been, out of the total world market, 1,300,000 tons?

A. Only 1,300,000 tons that went into the United States, but of course they take care of the English market, South America, Africa, Australia and New Zealand. Are you interested in the pulp production of the Nordic countries?

Q. I have hesitated to ask these questions because you have apparently a clear line of procedure to follow and I don't want to interrupt it but I do want to clear up this point that has been raised, and since that point has come up

have you the figures as to the actual tonnage production not only for the United States but for the world?

A. I am not sure that I have them here; I have them in the hotel. That information may be in this magazine, the Pulp & Paper Magazine of Canada—I am leaving one of these as an Exhibit and I am pointing out several articles that would be material in that—the actual information is in the Pacific Pulp & Paper Trade Journal, the annual number will give you all of that.

I have compiled a chart (producing); I have only a limited number of copies and have to ask you to split them up a bit.

THE CHAIRMAN: Q. We may just as well file this as an exhibit, Mr. Johnson?

A. Yes, sir.

Q. What do you call this?

MR. DREW: Q. I suppose you would call this a chart to illustrate the background of the submission you are going to make in regard to this?

A. That is right.

THE CHAIRMAN: What Exhibit will it be?

MR. FLAHIFF: 35.

THE CHAIRMAN: Chart published by the Fort William Industrial Commission, Exhibit 35, I think that is the best way to describe it.

EXHIBIT NO. 35: Filed by Mr. Johnson: Chart published by Fort William Industrial Commission.

WITNESS: On the question of low taxes and high taxes, No. 1, I think you could add on there under "D", "Increased Taxes to the Province" and on the left, high taxes, "Decreased Taxes to the Province."

I should like to answer any questions involved in this chart if you have had a chance to glance it over.

MR. DREW: Q. Mightn't it possibly be simpler, Mr. Johnson, if you would explain it briefly and then the questions could follow that?

A. This chart is an attempt to graphically present in a most skeleton form the two basic economic conceptions or philosophies which I spoke about at the opening of my testimony when we last sat. May I state first that inasmuch as we, with some companies in which I am in a small way connected,—and that includes the Great Lakes Paper Company and a few boats, and saw-mill and railway ties and pulpwood—I have taken it upon myself to talk quite extensively with various leaders of labour thought and industrial thought and my feeling is that to-day in the matter of labour, labour questions and labour

principles, labour policies, is the place that we are going to get our strength in the democracies. That brings up the question of the standard of living and the social security of labour. If it is possible, and I believe it is, to accomplish the giving to labour in the timber industry a continuity of employment I feel we will be able to increase their actual income twenty-five percent, and at the same time decrease our unit cost of production. Appropriate to this I should like to quote from an address given by the President of the American Pulp & Paper Association, Mr. D. C. Everist, and his speech to the last convention of the Canadian Pulp & Paper Association recently held in Montreal I would particularly like to call your attention to. His address is included in the Convention Issue of the Pulp & Paper Magazine of Canada 1940; I am reading only a few sentences from that speech. I know of no one on this continent who has a greater conception of basic timber problems, of chemical pulps, bleached and unbleached sulphate and sulphite, lumber chemicals and the like, than Mr. Everist has.

Quoting Mr. Everist:

"Consumption is the product of our price policies, competitive costs we must nourish, not only managers of plants but labour as well; in the long run higher wages to workers and profits to stockholders must come out of greater efficiency. The new construction in the south within the last half of a decade" (I think it is half a decade or a full decade) "the capacity of the pulps has more than doubled. More consumption, new processes, severe competition, more intense integration of production and market forces and numerous other refinements all in line with our experience of the past but running more swiftly, possessing greater momentum and therefore more difficult to handle and more dependent upon co-ordinated action than ever before. If the war appears to be of long duration considerable expansion of pulp production in this country can be expected. Beware of new excess capacity which may have no guarantee when the war is over. Responsibility is not wholly upon management for a large part rests upon labour. Any broad effort by labour to hurry wage increases to obtain a larger share of income before conditions of trade and volume justify is bound to increase costs. Relations between labour and capital must be more flexible than ever before; they are both in the same boat; whatever goes up must come down, and promptly, if we are to save our economic position and thereby maintain jobs for those dependent upon this industry."

On the matter of labour it is such a big, comprehensive problem that I am rather timid in stepping into it particularly when we have Mr. Heenan here who has followed labour all his life, but nevertheless I do feel that a frank discussion of the labour problem is quite necessary in this problem because that is the foundation upon which we must build. If we have a contented labour population and we hedge in the future with its stability after the coming of peace, those other factors in the way of capital and land and everything else we cherish in the way of ownership may go by the board. However, before discussing the matter of labour the question of taxes is of itself quite evident.

THE CHAIRMAN: Q. I was going to ask two or three questions on that—go ahead, Mr. Johnson?

A. All right, I wish you would.

Q. I won't interrupt you but I would like to have your theory of what would appear as high taxes and what taxes those are. I see the first item of the cost on the left-hand side of this chart is "High taxes"?

A. Yes.

Q. What are those high taxes?

A. There are so many of them, and I will admit that they are quite necessary at this time to carry on the war.

Q. No, but which taxes are referred to here?

A. I am referring to all taxes as a matter of class.

Q. Well you can divide taxes I suppose broadly into two categories, those which increase the cost of production and those which affect profits?

A. Yes.

Q. What type is that here? I mean give us some specific instances?

A. First you mention taxes affecting profits.

Q. No, but that is after the cost of production?

A. Yes. Well, associated with that I would think, Mr. Leduc, would be the matter of a balanced corporation or income tax.

Q. No, no, these affect profits after they are made; they don't add anything to your cost of production; in other words, if you don't make a cent you don't pay a cent of tax?

A. No, that is not my point. I am thinking of profits.

Q. Yes?

A. After they have gone into the costs they are in your costs and part of them, but on the question of income tax, whether it is an individual or particularly a company, if taxes become too high then their current position is to take money from that company that it would otherwise use for expansion purposes.

Q. That is, the money that goes for the payment of taxes could otherwise be used for reinvestment?

A. For expansion and refinements within the industries. That is all I refer to in that problem. There is a breaking point beyond which taxes from income cannot go because it has the effect of freezing the current position of a company and preventing them from expanding.

Q. But you realize as far as the companies themselves are concerned they pay the corporation income tax only when they make profits?

A. That is right. And to that extent of course that is—

Q. It is not so bad?

A. No. I am in favour of that.

Q. So that doesn't increase the cost of production?

A. No, it doesn't, although it is in the cost involved in this way, supposing you are selling a concession of pulp and your taxes amount to \$1.50 a ton or more, that is added onto your sale price. Is that right?

Q. Well, I don't know what taxes you refer to. If you refer to the income tax I say no. You sell a ton of pulpwood say for \$50, it has cost you for wages and power and all other expenses and interest on your loans and depreciation—well all the expenses you have—it costs you a certain number of dollars?

A. Yes.

Q. Which will leave you a profit of fifty cents or \$5 or \$10; your corporation income tax would apply only on that fifty cents, \$5 or \$10?

A. That is right.

Q. So that would not affect your cost of production?

A. No, not in itself, but it would affect your cost to your ultimate consumer because it would have to be added onto your other basic costs.

Q. That is if you want to get the same income after taxes?

A. Yes. It is only your point of returns.

Q. But it doesn't affect your cost of production?

A. That is right. It affects your sale price of course which may be reflected back onto your volume.

Q. That is to say if you make a net profit of \$5 per ton after paying all expenses and a new tax comes up that takes fifty cents off that \$5, if you want to still make \$5 you have got to increase your cost by fifty cents?

A. Yes

Q. But you don't have to?

A. No.

Q. You could take a smaller profit?

A. Yes.

Q. What I am after is taxes that affect the cost of production?

A. You have for instance your ground rent and fire protection charges.

Q. And that is timber dues really?

A. No, those are not timber dues. There is ground rent and fire protection.

Q. Doesn't that take the place of a purchase price on these areas?

A. It all depends how you set it up in bookkeeping I presume.

Q. Yes. Because in the Province of Quebec they used to sell them; I don't know whether they do yet; and they used to bring a thousand dollars?

A. I have known them go as high as \$2,000.

Q. And here you have a ground rent which takes the place of that capital payment?

A. Yes. In the Province of Quebec one has the ground rent and fire protection charge in addition to this.

Q. And here in this province you have a ground rent, it is a rent you really pay to the Government for that timber—it is rental actually?

A. Well, it is a cost.

Q. Oh yes, but it is the same thing as the rent of a farm, isn't it?

A. I don't know.

Q. I mean, surely you don't contend that you should have the right to that area without paying any ground rent for it?

A. No. I am not taking any of those positions.

Q. Do you claim the ground rent is too high then?

A. No, I don't say that.

Q. Oh?

A. This is only for the purpose of bringing forward the two different philosophies of costs of production because the lower the cost the more you can fan out your markets; that is the only purpose of this chart. It is not for the purpose of criticizing the figures or analyzing them, it is only as they are added on here, a few cents here and there, that they are sufficient to defeat your market.

Q. I quite understand that, and that is why I want to know what these charges are. You have mentioned ground rental there; have they anything equivalent to that in the Scandinavian countries?

A. That I can't tell you.

Q. What about the United States then?

A. In the United States they are tremendously high in a different way: There the lands are owned in fee simple and they have real estate taxes, except in some parts it is less, but on the west coast it is more.

Q. It is a case then where our cost is lower in Canada than it is in certain sections of the United States?

A. I would say it is lower in all sections. Take the cost of power, I don't know any area, with the possible exception of the south—out on the west coast it is much higher than it is here, and in the northern states, Minnesota, Wisconsin and Michigan, it is higher than it is here.

Q. As I say, that is one place our costs are lower?

A. I named here taxes, power, timber area—except the south.

Q. Yes?

A. Now the south is where you will notice up above here "Low costs and abundancy in southern states, U.S. Pacific Coast and Scandinavian countries."

Q. Yes?

A. In the southern states those are figures prepared now because as I remember it you have come into production capacity in the chemical pulps, in the south about \$100,000,000 of added chemical plants for bleached and unbleached sulphate, and they are even making bleached sulphite in the south now at Rainier, Louisiana, which has a tremendous production and out of which they are making explosives and silk stockings and all sorts of silks, so they are even able to make sulphite out of southern pine.

Q. As far as that ground rent is concerned is it fair to put it this way, that it is lower in Ontario than it is in the northern American states and on the Pacific coast but that it is much higher than it is in the southern states?

A. Yes sir. And it is much lower than it is in Quebec.

MR. ELLIOTT: Q. Along that line, my understanding is that the ground rent and fire dues are less than two cents an acre per year and are of no consequence?

A. That is all, two cents an acre a year.

THE CHAIRMAN: Q. What are the other high taxes that affect the production?

A. Well, you know that just as well or better than I do.

Q. No, no, I am asking you because you bring this chart?

A. I am not saying, Mr. Leduc, that our taxes are out of line; that is not my point; I am merely saying that taxes where very high affect your cost price and inasmuch as it affects your cost price as they pyramid for one reason or another, that is those reasons, and one more, financial structure, you are building up a free market for your products.

Q. You have "High costs and scarcity in Canada" and "Low costs and abundance in southern states, U.S. Pacific coast and Scandinavian countries" and the first item of cost is "Low taxes" so I take it that this is what you claim, that our taxes are too high in Canada, and I would like to find out which are those taxes?

A. The southern states, for instance, their taxes are much lower; in the Pacific Coast they are higher; in the Scandinavian countries it is difficult to know their complete system of taxation, I haven't gone into that as a study, but wherever we do have high taxes in Canada competitively with the south it is so much to our prejudice. Is that not true?

Q.—No, but I am asking you these questions, Mr. Johnson, for this reason: I was present at part of the conference held on Friday and there were several memoranda prepared and I forget whether they mentioned taxes or not, although they asked a reduction in stumpage dues and an abolition of the export taxes on pulpwood, and so on and so forth, but if there are any taxes that are unduly high and that retard the progress of the industry we would like to hear about them?

A. Well, I haven't gone into that as a complete study as I would like to. I will. I will say this much, in the total amount of sales of our timber products the total amount which goes into the Government for Workmen's Compensation, that is a charge, isn't it?

Q. I wouldn't call that a tax?

A. No, it is a charge. The ground rent, fire protection, corporation tax, income tax, surtaxes, I have it all worked out as far as our own company is concerned here, I think it runs to something like twenty percent of our total volume as represented by these charges, stumpage dues and various kinds of taxes, carrying charges and all, which is quite a major burden.

MR. ELLIOTT: Shouldn't those be analyzed, Mr. Chairman, so that we would know just what they were?

WITNESS: I beg your pardon?

MR. ELLIOTT: Q. Could you analyze those and tell us what the taxes are?

A. Well I would have to go down and break it down. They are charges.

HON. MR. NIXON: Q. You said you had it broken down for your own company?

A. Yes, I have. I don't know whether I have that here. I think it is something like twenty percent. I haven't the material here but it would be comparatively easy to get for you, I suppose.

MR. ELLIOTT: Q. What do those charges include? You can give us an idea what they include and the proportion they are of the whole?

A. Yes. They include stumpage charges, carrying charges on your timber, like fire protection and ground rent, corporation taxes, income taxes, Workmen's Compensation.

MR. COOPER: Q. Would the Workmen's Compensation be a big percentage of the whole thing?

A. No, it is not so bad. Our experience in Workmen's Compensation in Ontario has become progressively much better in the last two or three years; where at one time we were paying eight percent, now we have it worked down to five percent, which is quite an accomplishment, and Mr. Heenan has been quite a material help on the matter of the Workmen's Compensation problem.

MR. ELLIOTT: Q. What else is there, Mr. Johnson?

A. Well, I would say those were the major ones.

Q. Approximately what is your stumpage charge?

A. I feel, sir, in Ontario they are high—

Q. What are they?

A. On pulpwood you mean?

Q. Yes?

A. They run all the way from \$1.10 a cord up to I suppose \$2.25, \$2.50.

HON. MR. HEENAN: Q. \$2.10?

A. \$2.10.

MR. ELLIOTT: Q. That is a purchase price?

A. Yes. In your sawlogs those are in many instances put very high. I have never been able to understand, Mr. Chairman, this discrepancy in the stumpage charges: We have found in jackpine pulpwood standing there your charge on jackpine pulpwood is say fifty to sixty cents per cord and your jackpine sawlogs will run from—Mr. Draper gives me some stumpage rates—I am not familiar with these charts, but your stumpage rates in jackpine will run all the way from say \$2.50 up to \$8.50.

HON. MR. NIXON: Q. A thousand feet?

A. A thousand feet. It takes two cords to make a thousand feet. Why should your rate on jackpine for young timber be only a half or a third or a fifth of your sawlog timber where that is matured?

Q. Are those rates set by the Department, or are they bids?

A. Well, some are bids and some are set. The same in spruce.

MR. COOPER: Q. Did I understand you to say you were up to \$8.50?

A. On jackpine, yes.

Q. I have known people up around Sudbury paying as high as \$11?

A. Yes. For instance, Mr. Merwyn of the Sudbury Lumber Company and Mr. Poupore of Gogama, they are paying nine, ten and eleven dollars, but you see they are comparatively close to the International Nickel Company, with mining timber and sawn timber.

HON. MR. NIXON: Q. But they actually bid that to get the timber?

A. Yes, Mr. Nixon. They might be in a position to pay that for a small localized market. For instance in mining timber there is good money, and then too if you have a market within ten cent freight rate of your sawmill your stumpage is worth a whole lot more than if it is more remotely situated from the market where you have to rely on the general market to sell your lumber.

MR. ELLIOTT: Q. Of course, Mr. Johnson, the stumpage charges are timber dues, they are not a matter of tax at all?

A. No.

Q. So that in that list you gave us the only item that might be regarded as a tax is the ground rent and the fire protection charge?

A. Yes.

Q. So that in the estimate you gave of twenty percent there is only a very negligible proportion of that—?

A. And carrying charges.

Q. —of charges by the Department?

A. Yes.

Q. That is two cents an acre?

A. Yes.

THE CHAIRMAN: Q. You don't quarrel with the fire protection tax or charge—that is for services rendered?

A. \$11.40 is what the timber licenses carry, but the pulp concessions carry \$6.40, which is one cent per acre.

Q. How much?

A. \$11.40 as a timber operator we pay per square mile and the pulpwood concession at \$6.40.

Q. Of that group of charges you gave us, ground rent and stumpage dues are really what you pay the Government for the timber that you take out?

A. Yes.

Q. That is the purchase price of your timber, and the fire prevention charges are for services rendered; the Workmen's Compensation payments are part of your labour costs; the only things that you could qualify as taxes would be the corporation tax and the income tax?

A. Yes.

Q. You mean I suppose the corporation taxes which are payable to the Province, and the income taxes are the taxes payable by the company to the Federal Government?

A. Well, all the payments are paid directly to Ottawa and then do you not get your money back from Ottawa?

Q. No, no, that is the personal income tax. Of course if the operator is an individual then he pays the income tax, but if the operator is a company it doesn't pay the income tax to the province?

A. No, it pays it all to the Dominion, that is right.

Q. So in the case of a company those are the two taxes, the tax payable to the Province under the Corporations Tax Act, and the tax payable to the Federal Government under the Corporations Income Tax Act?

A. Yes, I guess that is correct.

Q. And those two taxes are paid only when there are profits to be taxed?

A. That is what I understand.

Q. What about the sales tax or customs duties on machinery?

A. Well, they vary a great deal. We had to pay in bringing in this machinery from Sweden—I think our tax on that machinery was, I am not sure, about thirty percent—we had to pay \$15,000 of tax on \$30,000 worth of machinery, or something like that, but that is more or less of a capital charge, that would repay itself to you in added efficiency, otherwise you wouldn't buy it, so I don't believe a person could very well criticize that, you wouldn't be warranted in criticizing that amount of customs tax because I think it is good business to buy it.

MR. DREW: I think that we should pass from the subject to taxes to something else.

THE CHAIRMAN: Yes.

MR. DREW: I mean, after all, I think we want an explanation of the charges headed by the question, "Shall we continue our present economic policy while losing our markets to southern states and Scandinavian countries"; then we come down to the first point, high taxes as against low taxes, and while in the principle I would agree on the basis that this is obviously an operating factor if one can show that that is the case, on the general discussion we have had I must admit there is nothing before us to indicate by way of exact evidence that the taxes are higher in the competing countries.

WITNESS: This is not for the purpose of making a definite statement that all of these things are out of line in Ontario, it is merely for the purpose of presenting the different factors involved, merely as a basis of investigation, that is all.

MR. DREW: Q. May I put it this way, if you had your headings "Results of high costs and scarcity" without the words "in Canada" on the one side and "Results of low costs and abundancy" without the following words on the other side we would agree with you?

A. Very well, that is better then, we will strike out "in Canada".

THE CHAIRMAN: Q. But you were discussing the labour aspect, Mr. Johnson, when we came to taxes?

A. Yes.

Q. So you might perhaps go on with that labour aspect.

MR. DREW: Q. I don't want to interrupt, but let us get quite clear what this is: What do you say this is, a chart supported by the Fort William Industrial Commission? If it is merely a theoretical analysis of the operating factors which would increase or decrease production that is one thing, but certainly as I read it it would appear to be an article in graphic form that all these are contributing factors to our scarcity as opposed to higher production in the other countries due to the factors which are shown in the opposite column?

A. Yes, but it is not for the purpose of representing—Mr. Leduc's criticism is exactly right—"in Canada" there, that was put in there only for the purpose of applying all these basic costs, those too in Canada, competitively against the others and it should not be construed as a declaration of criticism of these factors that are here as far as Canada is concerned. I was wondering if I got that clear?

Q. Yes. I think that we could carry courtesy too far in the analysis of this; either they are high or they are not high; either there is ground for criticism or there is not. As I read this I don't see how it can be interpreted in any other way except as a suggestion that the industry in Canada is suffering from a situation from the increases put in the left-hand column. If that is not intended

then I submit the whole chart is merely a theoretical skeleton around which we can argue as to what we are to do?

A. That is exactly put, a theoretical skeleton for the purpose of further investigation, that is all.

HON. MR. NIXON: The chart is in the form of such a definite statement.

THE CHAIRMAN: I might say we could take No. 1 as not proven and go on to No. 2.

HON. MR. NIXON: Q. My information is that Workmen's Compensation charges are much higher in the Pacific coast in the United States than they are here in Ontario?

A. That is right. I made that statement.

THE CHAIRMAN: Would you rather go on with these other items in the way they are set out?

MR. ELLIOTT: And explain them.

THE CHAIRMAN: Q. Consider transportation costs or labour, whichever you wish to take first?

A. Well on the question of high transportation costs—don't misjudge the reason for this, I don't set myself up as either a tax or transportation expert, far from it—but I can say for instance in the matter of high transportation costs that we do have for instance in one part of Canada, and I presented these charts to you before, I believe—(produces a chart.) That speaks for itself, I think.

Q. Unfortunately, while it does, it doesn't speak loudly enough for the stenographer to hear it. If you don't mind explaining it?

A. All right. I guess I haven't one part of it here. I guess my complete one was filed before. Oh yes, I have it now. For instance, pulpwood from the Timmins district, the freight per cord to New York-Pennsylvania is \$10.50 a cord which at the time this chart was made about two months ago before the war was 78 percent of the price of that commodity. Lumber from Timmins, Ontario, and into the northern New York territory is \$5.58 a thousand, which is sixteen percent of its value. Lumber from British Columbia into northern New York territory based on \$35 is \$14.76 which is forty-two percent of its sales value.

MR. DREW: Q. Is that over American or Canadian lines?

A. That is partly over both.

Q. Is the difference due to carriage on American lines as opposed to Canadian lines or due to different charges within Canada?

A. I am not just sure how they divide up their traffic revenues.

Q. The reason I ask that question is, one of the points that has already come up in regard to some of these discussions, there are charges within certain zones which don't work at all equitably in different parts of Canada. Is that what you are suggesting there?

A. That is right.

MR. W. G. NIXON: Q. That is the over all cost from shipping points to destination?

A. That is their over all rate, yes.

For instance, from the head of the lakes on lumber—I have all that worked out somewhere—to Detroit via rail—I am sorry I have not some of these figures—it runs about \$8.00 a thousand feet. Now, to move that lumber about 800 miles for \$8.00 a thousand, as against the Pacific Coast rate of 82 cents for 3500 miles, you see, that is quite a big difference there.

THE CHAIRMAN: You have the rate from the Pacific Coast to Port Arthur?

A. No, to the eastern ports, like Buffalo and New York. It is comparatively high. I had hoped, on these high transportation costs, if the Government were interested in it, to have real freight experts go into this question. I have been in touch with the Canadian Pacific representative and Canadian National representative to see if they could work out with us some freight rates that would permit more advantageous rates for Ontario timber products to the American ports.

Q. Did I get this correctly, Mr. Johnson; that the freight from the head of the lakes to Detroit by rail is \$8.00 per thousand feet?

A. About \$8.00.

Q. And that the freight from the Pacific Coast to the eastern ports—

A. Like Detroit, is 82 cents.

MR. DREW: That is by water?

A. No, that is by rail.

THE CHAIRMAN: That is one-tenth?

A. Oh, no. Forty two cents as against 82 cents is not one-tenth; it is one-half.

Q. You said the freight from Fort William to Detroit by rail is \$8.00 per thousand?

A. About.

Q. In the other case it is 82 cents a thousand?

A. No, it is 82 cents a hundred. That will be \$16.42.

Q. Oh.

A. Yes. Now, on the question of the high and low transportation costs, that problem, if I may suggest it, is really one for the railroads to go into to see how we are prejudiced on our rates. I can say this too, that the freight rates, for instance, from Ashton, Wisconsin, on pulpwood down to the Wisconsin consuming points vary all the way from $5\frac{1}{2}$ cents to 6 cents a hundred pounds. I think even from $5\frac{1}{2}$ to $6\frac{1}{2}$ cents. That is for 300 miles or thereabouts.

These are more or less rough figures, Mr. Chairman. Now, there are similar rates in Canada, as for instance from Kenora down to the head of the lakes. For that same distance it goes nearly as high as 12 cents, does it not, Mr. Heenan, for export?

HON. MR. HEENAN: I do not think for export. No export comes out of there. I think it is $9\frac{1}{2}$ cents.

A. And that is for 200 miles, is it?

Q. Less than 300 miles; about 275 miles.

A. You can see how the rate for 300 miles compares with the $9\frac{1}{2}$ cents for 200 miles. I believe that that whole freight structure for local consumption as well as export, and particularly around Timmins and in that country—those freight rates are so high that I do not see how it is going to be possible to put this area into production no matter what your timber dues are or your labor schedules.

MR. DREW: You see, Mr. Johnson, it would be very helpful if we had some sort of comparative figures to show exactly what these figures are and how high they are in relation to other forms of transportation.

A. That is true.

Q. Because on Friday, for instance, we had a representative from both the Canadian Pacific and Canadian National Railways here, and both of them simply said that they were prepared to co-operate, but it seemed to me they could not see how the rates could be lowered. About the only way we can start discussing with them ways of lowering charges, or the reasons for lowering charges, is to have some exact figures which indicate a good, sound argument in support of that contention.

A. Yes. I should think that that question of transportation costs would be of sufficient importance to the Province of Ontario to really go into that with some kind of a fact finding commission to find out what benefits or what detriments we have in the free carrying of our products due to freight rates, if they are excessive. I am not a fact finding commission of the Government, I am just throwing out these lists of voluntary information on the problem for whatever help it might be.

MR. COOPER: I understand the railways are going to turn in a brief which is going to be submitted to us.

THE CHAIRMAN: I did not understand that. They offered their co-operation.

MR. COOPER: I think representatives were appointed at a conference to turn in briefs. Is that your understanding, Mr. Heenan?

HON. MR. HEENAN: They took the position that inasmuch as the freight situation is such a large question that they could not very well come to the conference to make a proposition that they would do this, that and the other thing; but that when the conference got together and it was pointed out in the lowering of costs what the railroads might contribute, they were then prepared to sit down and talk to them to see how far they could go.

MR. COOPER: If we are going to get anywhere here we should have figures on the basis of so much per mile. Mr. Johnson says it costs so much from Timmins to Detroit, and so much from the head of the lakes to Detroit. But we do not know the mileage. It should be reduced to so much per mile, and then we would have some comparative figures.

MR. SPENCE: I think we should let him proceed, Mr. Chairman.

THE CHAIRMAN: Yes.

MR. JOHNSON: This question of intricate freight schedules is so enormous that it really takes a traffic expert to go into it and properly analyze it.

MR. DREW: Yes, but you see, Mr. Johnson, after all, there is a difference between an attempt to convince the railways that they should lower their rates, and a statement that the rates are too high or too low.

A. Quite right.

Q. In other words, it is for the operator, in whatever branch of the operation it might be, to show that the rates are too high compared with some competitor. And until it can be shown that that is the case, it is not giving the railways a very strong argument in favour of a change in rates.

A. Quite right.

Q. It seems to me that that is essentially a matter for those who are using the railways to demonstrate by practical evidence what they are paying in comparison with some other competitor. Let me put it this way: We can get a statement from the railway companies indicating the freight charges within certain zones, from certain points to other points. But the important thing, as I see it, is to find out, for instance, what a man who is trying to sell a product from Fort William has to pay in comparison with a man, for instance, who may be trying to sell the same product from some place in Minnesota or any other place along the lake. Is that not the real test?

A. Quite right.

Q. It seems to me that that being the test is something that the man who is directly interested in getting a change in the freight rate would be best able to give us.

A. We have tried that so often as one individual approaching these railroads for betterments in rates. It seems to be practically impossible to get any adjustment, even if you can show, for the same unit of haul elsewhere, that the rate is about one-half or one-third. I think Mr. Heenan has been through some of that in his conference with the various railroad representatives.

HON. MR. HEENAN: My understanding of it, of course, is not conclusive, but it is that the freight rate on lumber for British Columbia is less than it is from Ontario to any other point in Ontario.

A. That is true in some instances, I have been told; I have not the positive proof of it. That is one of the reasons they tell me they can sell British Columbia lumber in the Ontario market.

THE CHAIRMAN: Could we not have some of those operators come here and give us the figures, and then we would have something to start with?

HON. MR. HEENAN: Somebody suggested that we should have the freight rate men of the two railroads. I think that would be a good idea.

MR. DREW: Let me just make this comment here. I was greatly disappointed when I read over the briefs that we got on Friday. I was greatly disappointed in what they actually contained. In the first place, we got no brief from the industry itself, that is, the newsprint industry. We got no brief from the railway companies, and no brief from the power companies; yet these are three of the most important co-ordinating factors in this whole problem. We did get briefs from exporters and from those interested in the cutting of sawlogs, and others, and each very properly setting forth a particular approach to the problem having regard to their own special interests. It seems to me that what we need in this whole discussion are exact figures which are not in any way open to dispute upon which we can base our argument. We have come to a point now where it seems to me that what we need to recognize is that we are not going to get anywhere with a solution of this particular problem unless we get down to exact dollars and cents in relation to every one of these different things.

Without in any way reflecting on the importance of Mr. Johnson's evidence I can only say this, that this chart and the comments you have made are, frankly, generalizations which seem to me must be obvious in regard to this problem; that is, if our taxes are higher than taxes in competing countries, if our transportation costs are higher than are paid by competitors, if our wages are excessive in comparison with the wages of competitors, and so on down the line, then there is no argument about the fact that our basic producers are up against an almost insuperable obstacle in meeting foreign competition.

It seems to me that in trying to co-ordinate these different factors in our own particular problem we must have exact figures.

A. Whose responsibility is that, Colonel?

Q. Oh, well, in this case, Mr. Johnson, you have come here suggesting things, and I for one welcome the fact that you are here to do that, but you have given us a chart and you say that these are things which should be taken into consideration, but at the moment you are not giving us any exact figures which lead us to a conclusion.

A. No, and that is why I maintain that some outstanding British or American economist like Sanford Evans or Mr. X. or Y. or who not be heard; that it requires the combination of experts in these fields to give us the enlightening information we need to go into the question of our competitive position.

Now, it is perfectly evident to me, as a matter of general observation, that where you have the entire Province of Ontario from the Soo west to the Manitoba boundary, and there is nothing new in the way of pulpmills or sawmills or paper mills when there are enormous expansions on the west coast as well as in the southern part of United States, that that fact of itself should warrant investigation as to why we do have this stagnation. In some of these matters I have only very little information; in some I have more information. One thing is sure that there is no person whom I know who can give you all the material you want right off the bat. It is an enormous problem, in the matter of international trade, and that is why I am giving you all this information for the purpose, I hope, of stimulating interest among you or in this body of men as to what any of us or all of us or a combination of other people whom we have not yet heard, can do to help us in trying to get the solution. That is all. Anything more than that on my part would be presumptive, because there is no man that can get the whole problem.

THE CHAIRMAN: I understand that you cannot add very much to Item No. 2 on this chart?

A. Only the few isolated instances on which I have had experience in my own business, that is all.

Q. What about Item No. 3?

A. There, I can give you some information as far as labour is concerned. I wish I could qualify, Mr. Chairman, as an expert in all these problems. Maybe I would be able to hire out to somebody for \$25.00 a month. But as it is, I cannot.

MR. SPENCE: What about excessive railway wage rates and part time employment?

A. Yes, I have a little information on this that may be helpful merely for the purpose of illustration.

THE CHAIRMAN: What are these?

A. These are tables.

Q. These are schedules, Mr. Johnson, fixed under the authority of the Industrial Standard Wages Act?

A. Some of them are and some of them are not.

Q. I am taking the first page, "Comparative minimum wage schedule, bush work." Who fixed those schedules?

A. At the head of the lakes they are fixed under the Industrial Standard Wages Act, and some places in the east, and some places they are not fixed at all.

Q. You have several columns here. You have eastern Ontario, Pembroke area; eastern Ontario, Latchford; eastern Ontario, Ottawa. Then you have the Quebec area, Manitoba and the Maritimes. As far as the four last territories are concerned they are outside of the province and it is quite evident that the wages were not fixed under our Act?

A. Quite.

Q. But what about the three eastern Ontario areas, are these rates fixed under the Industrial Standards Act or by common agreement between the operators and the workers?

A. Common agreement.

HON. MR. HEENAN: They do not come under the Act?

A. No. I have letters supporting, if you want to see the originals, from the Pembroke area, Latchford, Ottawa, and some from Quebec and Manitoba. I only bring in Manitoba, for instance, as I thought it would be material to this Commission.

THE CHAIRMAN: Pardon me, Mr. Johnson; go ahead.

MR. E. E. JOHNSON: I merely mentioned Manitoba because I feel that these wages are ridiculously low. This schedule is not for the purpose of giving the impression to anyone that labour is overpaid too much. It is merely for the object of bringing out into discussion what if anything there is that might be done towards giving workmen more continuity of work so that their annual income can become greater.

The one difficulty we have in bush work, as you know, is that it is seasonal. We have only been employing them about six months in the year. I believe that by a policy of sap peeling pulpwood starting, say, on the 15th of May up to the 15th of August, and then from the 15th of August cutting rough wood and railway ties and sawlogs until the 15th of January, maybe longer, and then starting the haul sometime say in November, whenever the weather permits, straight through to April, and then running your sawmills or pulp mills and your rafting, driving and loading; that instead of having spotty employment for six months, there may be a chance, if you could put these areas into production, of giving a bush worker eleven months' work.

If that can be accomplished it is going to be beneficial in two ways: First, there is going to be more timber products produced and, secondly, there is going to be more continuity of employment for the bushmen.

THE CHAIRMAN: Is that not a matter for the industry to solve?

A. Yes, but how can that be—

Q. This would call for greater efficiency and better planning by the industry.

A. Yes, not only that but more. If these areas are put into production on species, diversified industries, then labour and capital is going to have an opportunity to go to work on that part of these areas which is not now in production.

Q. Well, Mr. Johnson, I may be wrong but I believe the only thing the Government could do would be to see that these areas are made available to the industry and then it would be up to the industry itself so to plan things as to be able to have continuous operation.

A. Well, would it be possible to go a little further than that perhaps, Mr. Leduc? There is an article here in the Pulp and Paper magazine which I would like to bring to your attention, on the matter of the Government perhaps helping us to work out some practical solutions to some of the problems of the industry which we as individuals can hardly afford to undertake ourselves. I did not know whether the Government would be prepared to perhaps go that far.

Q. Well, what exactly do you mean, Mr. Johnson?

A. Well, an experiment, in the first place, as to the floatability of the hardwoods. There is an article here in this magazine which states that the hardwoods cannot be floated successfully. I have the research results of the Nordic countries where they float hardwoods up to 300 miles successfully.

Q. But do you not think that the industry is in a much better position to proceed with that rather than the Government?

A. It is a pretty expensive proposition.

Q. Yes, exactly, but why load it on us?

A. I say this; that there may be a sufficient public interest for the Government to work with industry in a co-operative way to see what practical things we can work out, because after all, isn't the Government interested in selling its standing timber, and isn't it interested in putting more men at work, and isn't it interested, too, in handling some way these diversified species? Perhaps I am a little bit socialistic in my suggestions; I do not know.

HON. MR. NIXON: Do you mean to say that the operators who have worked with hardwoods for years do not know whether they can float them or not, or whether they have to drag them out?

A. That is a question if I say Yes, I am wrong; if I say No, I am wrong. You know, Mr. Nixon, how that question goes.

THE CHAIRMAN: It seems to me that that is a practical problem which the operators can solve without the Government stepping in.

A. Well, maybe. But I don't know who is going to start it. Quebec has gone into it carefully and they say it cannot be done, and nearly every timber operator I have spoken to says it cannot be done. Here is a book which cost me a couple of hundred dollars to have interpreted from Finnish into English. It is the foundation for various products, research in Finland, published in 1926, dealing with veneer birch, Helsinki, 1938. And they have done this thing; they have floated birch and poplar successfully for five years, and they have stepped up their timber production in veneer birch over 500 percent in four years.

Q. I am not an operator and I know very little about the business, but if they can float birch in Finland is there any reason why it cannot be floated here?

A. Well, I do not know any reason why it could not be.

MR. W. G. NIXON: Do they tell you how they do it?

A. Yes, they do. It is a most interesting thing.

THE CHAIRMAN: Are conditions here so different that what is done in Finland cannot be done here?

A. It is my opinion it can, but I do not know that I want to spend thousands of dollars to find out.

Q. You would rather the Government spend it?

A. No, I wouldn't say it that way. I would say that the Government has a fine group of practical foresters, like Zavitz, Mr. Sharp, and the rest of them, and I would like to work along with them on it as a mutual problem, if that is possible. I suppose I should rather take this up with Mr. Heenan than with the Commission; I do not know.

MR. ELLIOTT: It has been tried out in Canada already.

A. It has been tried out in Canada unsuccessfully so far. Quebec has done a great deal of work on that.

Q. Do you not think the fast water, probably the difference in the speed of the water, has something to do with it?

A. No.

Q. Or the temperature of the water?

A. Not at all. That has nothing to do with it. It is not salt water either, because it floats in their streams and their streams are fresh water. It is only when you get into the Baltic that you get salt water. It gives it a little more buoyancy.

THE CHAIRMAN: Before we adjourn, Mr. Johnson, I might perhaps leave this thought with you. You represent an industry which has a very large amount of capital invested in it?

A. Yes.

Q. It seems to me the industry might protect its investment, or even increase the return on the investment if it were to spend a few dollars making these investigations and experiments with all these new problems instead of asking us to do it.

A. I am not asking you to do anything except perhaps to work with the men who have, and I am not making it as a request.

THE CHAIRMAN: I think I can speak for Mr. Heenan and tell you that as far as seeking the co-operation of his employees is concerned and getting it, you already have it. Is that not a fact, Mr. Heenan?

MR. HEENAN: Yes.

—At 12.45 p.m., the Committee adjourned until 2.30 p.m.

AFTERNOON SESSION

APRIL 22nd, 1940

THE CHAIRMAN: The meeting will please come to order.

Mr Johnson, will you resume the box?

EDWARD E. JOHNSON, recalled:

THE CHAIRMAN: Q. I would suggest, Mr. Johnson, that we leave aside the chart with which you dealt this morning and consider it as a sort of guide in securing further evidence from perhaps railway employees and Hydro-Electric engineers. In fact, you might proceed with the balance of your evidence.

A. Thank you. I have only a couple of more observations to make in the matter of labour.

Q. In what matter?

A. That of labour.

Q. Very well.

A. Namely, that if something could be done in the way of giving steady continuous employment rather than spotty spasmodic employment, as we now have it, it would give labour better security and, too, would result in higher annual pay. That is directly connected, of course, with the establishment of diversified industries in order that the forest crop can be more fully harvested. Then, too, by selling areas on a perpetual or sustained yield basis so that an entire watershed can be cut selectively and particularly in the matter of harvesting the more mature timber to support perhaps sawmills, rather than to cut so much of the smaller timber for pulp purposes. It might be well also for the Government to consider keeping the dues down on those inferior species, which would warrant the independent operator paying the extra cost of logging for summer operations.

I think that is all I have to say on that point, Mr. Chairman.

HON. MR. HEENAN: Before you depart from the labour question, Mr. Johnson, is it not really involved in the whole economic structure of our timber forest products in this way: Labour has to demand what they can get out of it, having regard to the fact that they are only employed a few months of the year and the more they can get out of it the better satisfied they are. There has never been, that I know of, a real effort made by the investors or the manufacturers to get together with labour and suggest, now look here, boys, we want to revolutionize the whole business, so as to give you eight, nine or ten months' work during the year, and if you take so much less we can sell our products and that will enable us to give you eight, nine or ten months' work out of the year instead of three, four or five.

There has never been any connected effort on the part of the industry in forest products. It has been more individual effort rather than collective.

THE WITNESS: Yes, sir.

HONOURABLE MR. HEENAN: So, it has never been tried out; that is, to sit down, consult with the men and suggest, Now, we are going to do this collectively and if you will do this, we can bring about that, and so and so. Is that not the real crux of the entire situation as far as labour is concerned?

THE WITNESS: Yes, sir, and I really feel that it is most important that an attempt be made to bring it about as soon as practicable, because there is a crying need of that policy being instituted. Then, too, the labour are engaged in bush work and are most interested in bringing about that situation.

HON. MR. HEENAN: To-day,—and it has been for a long time,—it is everybody, or everyone for himself, to see how much they can get out of the situation, the Crown as well as the rest. I am not suggesting the Crown has not been involved in it as well.

THE WITNESS: Yes. We have a similar situation with the boats as with the lumberjacks. I feel there is no industry which can compete with international products where the industry must maintain and support labour for a

year where they only have an opportunity of working for six months. For instance, take the captains on boats. A sailor is a sailor; he cannot do much else, nor is he interested in much else. The same applies to the lumberjacks. They are only qualified for that kind of work. It is skilled work, so when a man has only six or seven months' work and where a man in the bush has five or six months in the bush, an unemployed man is of course a man who is dissatisfied, but if he has continuous work and has a chance of having continuous work,—he probably has children coming along,—I think there is something really constructive in the kind of approach suggested. That is why I feel quite strongly on the matter of sap-peeling wood and harvesting the entire crop, in order to give a full year's work instead of being spasmodic.

I think, Mr. Minister, you have hit right at the foundation of this problem.

HON. MR. HEENAN: Mr. Chairman, in this business, the whole atmosphere of the forest products in this matter is that of individualism, each one trying to get as much as they can out of it. A workman is working three, four, five or six months of the year and he wants to get all he can out of it in order to sustain himself and his family for the balance of the year. He figures he has so many months in which to make profits and he wants as much out of it as he can get during the year. The planing companies are just the same, so you can see that the question I ask Mr. Johnson has a direct bearing on the matter. I asked him if he did not think the whole thing should now resolve itself around collectivism rather than capitalism, so that labour could be approached with this thought in mind. We are all trying to make the best of a bad bargain and we are going to revolutionize all the circumstances in order to compete with other countries where they have a kind of co-operative plan of working, and if we do this, will you do that. I think you will find Canadian labour, with the exception of the few,—there are always the few, of course to kick,—will respond to treatment of that character.

That is why I asked that question.

THE WITNESS: May I ask you a question, sir?

HON. MR. HEENAN: Yes.

THE WITNESS: As a matter of practice in the practical problem confronting us in labour, it is difficult for employer companies to approach the labourers' problem and I presume it is somewhat difficult for the Government,—a government of this kind,—to give continuity of work, which might perhaps result in a little bit less per hour or per piece but over the year will give the labourer much more. If that kind of movement could come within labour itself, it would be more easy of solution, perhaps.

HON. MR. HEENAN: Do not forget that labour is very helpless in that respect. They see a certain amount of work before them and they want to know how much wages it will stand, and that is about all the interest they have.

The industry of which we speak now has never taken into consideration the position of their employees and sat down and tried to work out anything with them. Consequently labour has to follow the thought behind the investors

and the management. Something is going to produce so much work and they wish to know how much they can get out of it. There has never been any collectivism or unionism in forest products that I know of. Labour has never been consulted in the matter.

THE WITNESS: In that regard, I doubt if I filed a brief which carries a number, "Exhibit 4" which I hold in my hand, called "Text of Report by Roosevelt Commission on Labour Relations in Sweden". There was another report which paralleled this, in President Roosevelt's statement. It reads in part as follows:

"A factual report of industrial relations in Sweden has been given me by the Secretary of Labour. It parallels the statement on industrial relations in Great Britain prepared and submitted by the same nine eminent representatives of the different points of view and interests within our country."

I would like to file this for whatever it may be worth, at this point.

THE CHAIRMAN: Q. Do you say we already have it as Exhibit 4?

A. I do not know. I find it in my file and I do not know whether it has been already filed by myself or not.

THE CHAIRMAN: That must have been filed as some other record.

THE WITNESS: When I went through I made out my agenda of approach and marked my exhibits. I now find it, so I take it for granted it has not been filed.

THE CHAIRMAN: It will be Exhibit No. 36.

EXHIBIT No. 36. Filed by Mr. Johnson: Text of Report of President Roosevelt's Commission on Labour Relations in Sweden.

THE WITNESS: I do not have the parallel report made by the same committee investigating British Labour conditions, but the method of collective bargaining and the co-operative method of approach between capital, labour and government, which has been studied so carefully in Great Britain as well as in Sweden, is very constructive information, I feel.

MR. COOPER: Q. Our big pulpwood export market in the United States in Wisconsin, is it not?

A. Yes.

Q. And is it true, as so often said, that the Western provinces,—Manitoba and Saskatchewan,—export to Wisconsin also?

A. Yes, sir. That is particularly true now, Mr. Cooper, because the last rise in bush labour of 10 percent and also some of our higher costs of stumpage, has permitted the provinces of Manitoba and Saskatchewan to compete.

Q. Have they any advantage over the Province of Ontario?

A. Yes. For instance, in Manitoba,—and I am not familiar with Saskatchewan,—their rate of stumpage is one dollar per thousand feet board measure.

Q. Have you any figures which would show that they are actually taking our market?

A. I have them only as a result of my last trip in Wisconsin, from which I just returned after a week's absence. There are now between 75,000 and 100,000 cords of pulpwood coming in from Manitoba and Saskatchewan, taking our tributary markets in Wisconsin.

Q. What advantage or advantages have they over Ontario?

A. Two. First, their rate on timber is one dollar per thousand lumber scale. That must not be confused with our rate per thousand Doyle scale, because our Doyle scale on sawlogs gives 85 to 100 per cent. over the line. Even at that, though, our stumpage price is about three times more than that of Manitoba and labour there is \$16 to \$22 a month. Labour in Ontario is from \$47.50 to \$75 a month, so our stumpage is about three times as high and our labour is about three times as high. That permits them to sell pulpwood in Wisconsin and it permits them also to sell lumber in Toronto, even with the freight rate against them, at a lower cost of production than we are able to do so from the head of the lakes even using water transportation.

Q. And is Manitoba lumber coming into Toronto?

A. Oh, yes. A large amount of Manitoba lumber comes into Ontario, as well as from the West Coast. I should judge over one hundred million feet.

Q. The same type of lumber as we have here?

A. Yes, sir, except the lumber from the West Coast is mainly fir. Our spruce and pine is used in mines and they are able to undersell us, except for instance at Nakina or Geraldton, there are some local mills, just like at Gogama and Sudbury, there are local mills and because of their nearness to mining centres they can pay high stumpage and high wages and still compete, but on the main in a general lumber world, where you are selling in a territory such as Kansas City in the west and Pittsburg in the east for a big lumber market, it is not possible to pay these timber dues and the short hourly wages which we pay now in the lumber industry as against a year's employment.

We have another proposition which I think is really beyond the ability of an independent operator to correct. In Manitoba and Saskatchewan, for instance,—and why it is I cannot tell you, but it is being taken up in the United States now,—their spruce lumber going into the United States is Excise Tax free. They pay a duty of 50 cents a thousand, but Ontario-produced spruce carries an Excise Tax of \$1.50 a thousand. That \$1.50 a thousand on spruce is a tremendous charge and there is no rhyme or reason to it.

HON. MR. NIXON: Q. You are sure of your facts?

A. Yes, I am sure of my facts. The reason I know it is so powerful is this. The B.C. Spruce Mills Lumber Company, operating in British Columbia, has now before the Excise Commission in Washington a hearing to be held in Chicago next month, I understand. That is a mill in which a partner of mine, Ben Alexander, has been interested for a long time and has been trying to overcome that \$1.50 excise duty on their British Columbia products as against no excise duty on The Pas Lumber Company, which pays no excise tax, and the Arrow Land and Logging Company and other companies do pay that \$1.50 on spruce, but only pay 50 cents a thousand on pine.

MR. COOPER: Q. It is a Federal tax?

A. A Federal excise tax in the United States. That is a terrible barrier to overcome. A mill of 50,000 foot board-measure capacity per year has to pay \$75,000 in excise tax.

HON. MR. NIXON: Q. You are speaking of the lumber which comes into Toronto from the western provinces and there is also considerable from the eastern provinces?

A. There is a large intervention of New Brunswick and Nova Scotia and Quebec lumber into Ontario.

MR. OLIVER: Q. Is that more pronounced each year?

A. I would not say that. This is but an off-hand opinion, but it seems to be more or less constant. The reason I spoke about hard woods this morning was that we have birch and poplar in our country. The birch is maybe 30 per cent. defective. What we can do with it, I do not know. We consider it more or less a weed. I believe it has great opportunities, as far as eastern Ontario is concerned, if the floatability of birch and maple can be established. I am convinced it can be.

MR. SPENCE: You are speaking of that yellow birch up our way?

A. No, sir, the white birch. In the Gatineau watershed and the St. Lawrence watershed, there is a big percentage of birch and upper and lower Ottawa has never been harvested because it is not floatable.

Q. Would not the manufacturer of chemical pulp in Ontario use inferior wood such as jack pine, birch, balsam and poplar?

A. Yes. You have asked a question here which is covered—

Q. Why do not our newsprint mills put in or install equipment which can use other species off these limits and use this wood. Can they install equipment, or is it much of a cost?

A. There is a very comprehensible article here in the Pulp and Paper Magazine of Canada, written by R. D. Running of the Canadian Pulp and Paper Mills Limited, entitled "Pulp and Paper Mill Utilization of Hard Woods and other Little Used Species." It is very well done.

You have asked a very interesting question, Mr. Spence. I was in Chicago on Thursday, with Bill Mason, who worked with Thomas Edison for a number of years before he died. Mr. Mason developed two things. He first developed a resinous material out of the southern pine and then he developed Masonite, which is a hard board and pressed board and insulation board. It is a company of which Mr. Ben Alexander is president, and who is known to some of you people.

He made the observation with the hard woods of Texas, Kentucky, Arkansas, Louisiana and Mississippi, that they will be able to do with the hard woods, soon, what they have been able to do with the pines in the south,—which is the sulphates, bleached and unbleached and even bleached sulphite. He now feels that they will be able to make newsprint out of the hard woods.

I never thought that would be possible and I would accept it very reluctantly except when it came from a man of Mr. Mason's type. So, this question you ask about hardwoods is covered here.

MR. DREW: Q. What issue is that?

A. That is the Pulp and Paper Magazine of Canada, Convention Issue, 1940. I will file one of them as an exhibit, if you care to have it, Mr. Chairman.

THE CHAIRMAN: I suppose it might go in, but I do not think it is necessary to mark it. It will be available for the purpose of perusal by the Committee if you care to leave it.

THE WITNESS: I called attention this morning to the last three numbers of the Pacific Pulp and Paper Magazine, which carries an enormous amount of very valuable information on the problem. This is the Canadian, but there is one issued on the Pacific Coast.

It has been demonstrated absolutely, in laboratories, that the spruce coming from British Columbia and Ontario is identical to the spruce coming from Manitoba and Saskatchewan, which goes in excise duty free.

MR. COOPER: Q. Before you pass along, in connection with the export market of the United States, how does the exchange affect us now that our money is at a discount?

A. You have reference to the Exchange Control Board?

Q. Yes?

A. I have been in the United States continuously now for two weeks and I feel that in some way or another there has arisen a wrong conception of the Federal Exchange Control Board. It is felt there that should American capital come into Canada and that money which comes in now, that even the dividends from it,—if there are dividends made,—under Foreign Exchange Regulations, cannot be withdrawn. Whether or not that is right, I do not know, but if it is true, it is difficult to get American capital into Canada in the development of pulp, paper and sawmills.

I feel very strongly that Ontario, with the 1,300,000 tons of chemical pulps cut off, especially the spruce pulps, the unbleached and bleached sulphites, has a wonderful opportunity to recapture that market as well as to get 2,500,000 tons of pulp, especially spruce, as a basis, which has been going into England.

HON. MR. NIXON: Q. But, for the actual selling or exportable product, you ought to encourage that market in order to have the money at a discount?

A. Yes. The exchange is up.

Q. In the export of peeled pulp, do you sell that peeled pulp for so many American dollars a cord?

A. Yes; I do.

Q. Is it the same in American dollars per cord now as it was before the exchange?

A. No, sir. Some operators have sold on the basis of Canadian dollars, to be paid in Canadian dollars, but it requires American money to pay it in the equivalent of what the Canadian dollar would amount to; 90 cents. But any wood I have sold has been sold on the basis of American exchange, not Canadian exchange, so our company has been able to get the 10 per cent. to which I think it is entitled. Do you not?

Q. Certainly, and I think there should be supervision to see it is made on the same basis.

A. Yes, and I would like to see all the operators take the same basis. You have to pay your maturities in American exchange, getting Canadian exchange in return, why not get American exchange?

MR. COOPER: Q. I do not know what the exchange is between the United States and Finland, but if the American dollar is worth one dollar and eleven cents here, you would think that would assist our market?

A. It does very materially, except, of course, as some of our costs have gone up. It is going to be beneficial to that extent. Our commodities, for instance, have gone up about 22 per cent. Butter went up in two days after Germany took Denmark six cents a pound wholesale.

MR. OLIVER: Butter?

A. Yes.

Q. And it went down again?

A. Yes, didn't it? But, do you know how much it went down after that?

Q. To the same level.

A. I did not follow that.

May I call attention to another article in this book, of the Pulp and Paper Magazine of Canada at page 185. The heading of it is as follows:

"Some Economic Aspects of the use of Sawmill Waste for Chemical Pulp in Quebec and the Maritime Provinces,"

written by J. B. Prince and E. S. Fellows, Forest Products Laboratories of Canada, presented under the auspices of the Joint Committee of Woodlands and the Technical Section of the Canadian Pulp and Paper Association, at the annual meeting, Montreal, Quebec, January 24th to 26th, 1940.

This is given only for the purpose of perhaps an admission on behalf of some of us operators in the timber industry that we are not doing what is possible within our own field to cut down our costs. Reading from this article:

"The amount of refuse available for pulp chips was found to vary from 25.9 cubic feet per thousand board feet in some of the more efficient stationary mills to 80.7 cubic feet in the case of portable mills of a very wasteful type."

And here is a second statement:

"We have estimated from the four eastern provinces of Quebec, Nova Scotia, New Brunswick and Prince Edward Island a total of at least 39,000-000 cubic feet, or about 389,000 cords of spruce refuse would be available for conversion into pulp chips."

Now, reading further up on the next column:

"Finally it should be found more economical to convert slabs and edgings that are utilized for other minor products such as lath, fuel wood and so forth, into pulp chips. The amount available for this purpose would be raised by 160,000 cords to a total of approximately 600,000 cords."

I do not like to bother you with so many different articles, but I think they are very interesting.

MR. SPENCE: That is for sawmill?

A. Yes, sir.

MR. OLIVER: Q. Is that being utilized to any extent by Canadian mills?

A. No, sir. This was thrown into the burners and a little taken out for lath.

MR. SPENCE: Q. How about this fuel; how do you propose to utilize it? Why would you say you built the mill there? Do you propose to make it larger?

A. I built it for two purposes, first to make some money out of it, if I could, and secondly, I am hopeful of making a contribution to the pulp and paper and timber industry of the Province of Ontario as an intricate experiment to take

the squeak, if possible, out of the trees, the same as they take the squeal out of the hog in the meat business.

If it is possible to sell birch sawdust for \$15 a ton, if it is possible to get out of the chips of your slabs otherwise burned the equivalent of \$5 a ton, if it is possible to take the log refuse and edgings and sell it to paper mills for fuel purposes and if it is possible to make plastics and alcohol out of your refuse, those economies are going to be substantial.

Sawmills, I feel, should be the pivotal institution around which chemical pulps and papers should be built, because sawmills give you the opportunity of cutting mature timber and it is a liquidating medium for all the different species, because you can put poplar, birch or jack pine and everything into lumber, but thus far we have not advanced enough to put it into the pulps. That is going to be the next step.

MR. COOPER: Q. You mean chemical mills?

A. Yes, and on the west coast, really the basis of the west coast of the United States being able to take our pulp markets is because to a large extent they have been able to use the refuse.

When you figure that 45 per cent. of the cubical content of your log is wasted,—55 per cent. goes into lumber and 45 per cent goes down the sewer—burned,—it is a terrible waste.

The Nordic countries have been able to develop that. They have done it on the west coast, but we have not yet in Ontario.

I am hoping to make success of the sawmill business in Ontario west of the Sault. There are none in existence except three or four mills which are having a hard time to get along in that territory. Most of those mills are mills which have only a local market to support themselves, as against a broad fanning-out of the market in England and the United States.

HON. MR. NIXON: Q. Do you expect to get your sawlogs from these pulp operators when they are operating over a territory not taking out the pulp?

A. Well, that is a thing that is bothering me, Mr. Nixon; I don't know what a person could do about it until a definite policy is settled. I have made arrangements with the Great Lakes Paper Company for 10,000,000 feet a year; we are going to purchase 35,000,000; I don't know just what to do about the balance of our requirements of 25,000,000. On that point I feel this, that a sawmill could be built at the Soo of 35,000,000 feet; one on the Pic River, the Black River and the White River, that is two; one at the outlet of the Long Lac development, that is three; three sawmills at Red Rock, six; one at Fort William is seven; and one at Kenora is eight—or maybe two at Kenora. That is 3,000,000 feet that I feel has accumulated with all these years of standing timber as well as on a sustained basis of yield, that that territory will support not only its present institutions but eight more sawmills and a million of chemical pulp a year—eight more of the size we are building.

MR. SPENCE: Q. What is the capacity?

A. 35,000,000 feet a year; we still require another 25,000,000 feet to keep that sawmill going.

MR. COOPER: Q. Did you say three at Nipigon?

A. Yes. That is one mill or three at 35,000,000. That is No. 1. No. 2 is, I believe industries should be built in already established communities even though it may cost you a little more to do so; first, because it is already developed; and secondly, because you have a larger labour supply; and thirdly, you can dispose of some of your refuse in the bush; but one of the principal reasons we built at Fort William was, there are 169 boats get into Fort William that we hoped possibly to be able to put on deck loads of lumber for some of the eastern markets of supply. Unfortunately in the retail lumber business they have been educated away from cargo shipments into carload shipments because the retail lumber yard man now takes forty different things in his car, window stop, door stop, everything that you can think of.

Q. But you have no limits of your own from which you could get this quantity of sawlogs?

A. No. I wish I had limits. I have got to have limits to cut from. I would like to have an opportunity to cut on some of these areas of mature timber within these areas and deliver the pulpwood to them that comes off those areas without prejudicing their vested right, but I think it would be a terrible mistake for any operators to try to hop the other fellow's rights; it is not constructive and I don't think it should be done; but I do feel there is a very practical way of working out the whole problem so that all the industries that can be predicated upon our forest wealth can be built.

MR. COOPER: Q. You say eight mills?

A. Yes.

Q. Do you arrive at that from the amount of business or from the forest products?

A. From the forest products first, and I think I speak knowingly.

MR. W. G. NIXON: Q. Do you think there would be any difficulty in selling the processed product?

A. There will be—it is a sales promotional challenge.

Q. Where do you propose to sell your lumber?

A. Fortunately I have this: These B.C. Spruce Mills Limited, of which I have a blotter here, are out of the way, their capacity was 40,000,000 a year, I have hired their manager and their salesman, and some of the same stockholders are interested with me in Fort William, that is the Alexander interests, so we are going to step into more or less of a ready-made market, but I feel the tributary

American market and the English market of 200,000,000 feet out of maybe fifteen billion feet is not very much, particularly if you can work into water rates.

HON. MR. NIXON: Q. There have been tremendous quantities of sawmill products that they couldn't absorb—weren't they piled up in Fort Frances?

A. Yes. We have had a very bad time since 1929 in all the timber industries but you see a lot of these mills have been cut out: The Pembroke Lumber Company, the Crane Lumber Company. Now down in Wisconsin we have a company which is cut out; some of the northern Michigan mills are cut out. It is not an easy job but I feel here with the Scandinavian countries cut off there is really a chance to progressively build ourselves into these markets.

Q. Of course you committed yourself on the sawmilling long before the Scandinavian situation developed?

A. Yes. In solving your pulpwood your sawlogs should go with it. That country of ours is not a sawlogging country, our timber is too small, but maybe twenty-five percent of the stuff that grows on the areas is of a sawlog type and should be put into sawlogs. You cannot afford to build a sawmill unless you take the pulpwood out and I don't feel you can afford to build a pulp mill unless you take the sawlogs; that is a reciprocal arrangement which should be worked out between various interests.

Q. There is one other reference you made, Mr. Johnson, in the paper of Prince & Fellows Forest Products Laboratory of Canada—is that a Federal research laboratory?

A. Yes.

THE CHAIRMAN: Q. Was it situated at Ottawa?

A. I understand. I have had some very fine experience with these people down there on the question of paper and American markets; Mr. Euler's attitude towards this trip that I took to Europe was most helpful, in sending recommendations and getting us in touch with all the Trade Commissioners through all the countries we travelled. They have a very wide-awake international trade commission department there that is mighty helpful.

HON. MR. NIXON: Q. Do you think these research laboratories already established at Ottawa are coping with the requirements of the industry adequately?

A. Well, I would say yes, but perhaps the difficulty of it is so much of it is so technical that I have always felt a little more practical application to it would be helpful perhaps.

THE CHAIRMAN: Q. They don't look after marketing?

A. No, they don't look after marketing.

Q. All right. What next have you?

A. I presume you people would not be interested in listening to this very long report on dried hardwoods. There is a conclusion here, but I guess we will let that go, it would take too much time, but I have read and re-read it and I am convinced that the matter of birch and poplar could be practically and successfully handled.

I think that is all that I have unless there are some questions.

MR. COOPER: Q. There was just one question I had: I have been told that the Americans always use as a kind of threat over the Canadian industry that they have unlimited resources in Alaska which can be utilized. Is that economically sound?

A. Yes and no. "No" if industry had to go there unassisted, but "Yes" if the Government at Washington through the Reconstruction Finance Corporation were to develop power in Alaskan rivers and make that timber available inasmuch as there are dense stands on the Pacific coast influenced by the Gulf Stream.

Q. What kind of timber is it, Mr. Johnson?

A. Principally spruce. Alaska has tremendous possibilities and the more embargoes that are put upon the Canadian timber resources, or restrictions or high costs, the more industry will be driven to the southern, or the west coast and to Alaska. It always has seemed to me a little fallacious perhaps to put in embargoes, whether it is on pulpwood or what-not, against capital when if capital were compelled to go into Ontario for instance their resulting costs in producing that product would not be absorbed into international trade.

Q. Wouldn't their transportation difficulty be a bar to that of serious calibre?

A. No. At this time, yes, because of the scarceness of bottoms, but in normal times I think not because these boats that would come down from there into the States would be likely ten or twelve thousand ton boats and when you get into that size volume by water you can move shipments by water probably two or three thousand miles at very little cost, and with the Panama Canal these tide water ports would absorb a tremendous lot of that production; so that I feel that the south is the real threat, and the Pacific coast of the United States not so much, because of the threat from high embargoes. Western Canada yes, and Alaska yes; the Nordic countries are more or less out of the picture for the present but they will be back pretty fast when the war is over because of the goods they will have to sell.

MR. SPENCE: Q. This is the time to establish a market?

A. This is the time to establish a market.

Q. This southern pine we hear so much about, you have been down there and are familiar with the costs, is that much cheaper to produce newsprint from?

A. Yes. I have here the comparative costs of the southern mills with the present estimated costs of Canadian mills. They have a cost advantage of

between ten and eleven dollars a ton, and that is made up in several factors: First, their low cost of wood, because like the Crossett Lumber Company of Arkansas they have natural gas, and then too the labour in the south is cheaper, their building is cheaper, they have not any heating problem, although they have a freight disadvantage. But the reason that all this development is going to the south to the extent of \$100,000,000 in the last five years it is a competitive place to build.

MR. COOPER: Q. Did you read this article in Saturday Night, February 24th, about newsprint from southern pine?

A. I haven't read it but I have heard of it.

Q. Do you agree with it?

A. No, I do not. I think it is a real serious thing to the pulps and the papers.

MR. SPENCE: Q. That is chemical pulp?

A. Yes.

Q. We don't manufacture chemical pulp in Ontario yet to any extent, do we?

A. Oh yes. You have Smooth Rock Falls producing 60,000 tons, Great Lakes Paper Company now will produce 24,000 tons, Provincial Paper Mills has about 5,000 extra tons, Howard Smith a few thousand tons, and then Kapuskasing a few thousand tons; that is about all we have in Ontario which is merely a flea bite as to what really could be developed you know.

Q. Does spruce enter as a ground pulp?

A. No.

Q. If our newsprint mills installed the equipment to manufacture the chemical pulp wouldn't that help out our newsprint situation? I understand you can export this pulp duty free as long as you manufacture. Of course I understand the higher grade paper there is a very high duty on that into the States, they use mostly that chemical pulp over there?

A. I believe—inasmuch as the policy of this Government is proration, which is seventy percent, whatever it is,—by putting in a few digesters and putting in a separate circular system to permit different cooks as they say I should think that the majority of the newsprint mills particularly in Ontario should immediately get into the possibilities of getting into the unbleached sulphite market because the prices of that commodity have been going up, I think \$15 within the last six months. I think there is a tremendous opportunity for the newsprint companies to get more volume of unbleached sulphite by putting in just a few more digesters. But I am not here to tell the newsprint people what to do; you merely asked a question.

MR. SPENCE: It looks that way to me.

MR. DREW: Q. Well, Mr. Johnson, are you a director of Great Lakes Paper Company?

A. No sir. I have no contacts with them except they own thirty-eight percent of the Pigeon Timber Company.

Q. You, I understand, have spent some time in the Scandinavian countries examining what they had there?

A. Yes, sir.

Q. I understand in Sweden as well as in Finland?

A. Yes, sir.

Q. Have you studied their selling methods?

A. More or less in an indirect way but not as detailed as I should like to have done.

As you know, Colonel, they pool their products, not only lumber but in the pulps both. By that I mean they have a central selling and control organization, they watch the international markets very closely, and it seems to have worked out most successfully. Not only has Sweden a co-operative sales policy within that country, but Finland has likewise, but they correlate their activities very closely so that one country doesn't undercut the other country's market. But that is entirely within the industry itself. The Government doesn't take part in that. If it were not for that Sweden would come off second best all the way through because the Finnish costs are not much greater than half of the Swedish costs, and the Swedish costs are about a third less than the Canadian and American costs. It is a fortunate thing for Sweden they have that kind of situation.

MR. W. G. NIXON: Q. Their overseas market is on a co-operative basis in these several countries?

A. Yes.

HON. MR. HEENAN: And the higher we sell, in Canada, to the United States, helps them to that extent.

MR. DREW: Q. I don't want to pursue the question beyond the point that you have actually studied the subject but as I understand it, in Finland for instance, everything in the way of newsprint and pulpwood except from one company is sold through a unified selling organization which is in a position to go into any market in the world and quote prices and deal with the material and in that way effect really internal prorating without calling it that. Have you actually studied that system in Finland?

A. Well they do no prorating there because they have adopted a policy in lumber and the pulps that they always sell no matter what the market is except when we were there they were piling up a considerable amount of inventories

but the mills continued to run full which kept piling up their inventories because the Government there gives them all the money they need. That is a queer thing. It is not exactly in the way of a subsidy, but, for instance, in the leading Finnish Company—I can't speak Finnish—the Government there has a ninety percent interest, private capital ten percent interest; in the second largest Finnish cellulose industry as they call it the Government has sixty percent and private capital forty percent; in the development of their power, which they are doing to a big extent at Ensco, which you have read about the Russians wanting to get, the Government was developing 300,000 horse power which they did as a relief project because for a while they had some unemployment. Well, now the Government absorbs a certain amount of that relief expenditure as a relief cost, the balance of it they put in in cost of the power. I can't say that this is correct, but in eating with a director of this Swedish company at one time I asked him what he figured the cost of power would be in American or Canadian money and he said between five and six dollars a horse power. I asked how could they get money so cheap, two and a half to three and a half percent? Well that is not the price of commercial money, it is because they have this big interest in the pulp companies there, which of course means in a question of competition it amounts to a subsidy, doesn't it?

Q. That is the effect of it, yes?

A. Yes.

Q. Just to sum it up—the reason I asked the question was, I thought probably out of that you might have some suggestion as to what you think the actual solution of the problem is here?

A. It is too big a question for me to answer, Colonel; it requires the getting together of power experts, rail experts, financial men, Government men, labour, industrialists, to see where they can cut.

THE CHAIRMAN: Q. Which is Mr. Heenan's job at the present time?

A. Yes. And may I say this much more: These facts I have given here are just merely my own opinion, they are given to you for what they are worth, but I hope that something will come out of my attempt to present this material to you—that is my only object—and I have tried to do it as I see it, but there is so much to be added that it is beyond me. But I may say this, that anything the Government wants to do in the way of utilization of inferior species, the development of hardwoods, the efficiencies in industry, whether in the pulps or papers or sawlogs or railway ties or lumber, I will be very glad to do. I know that many others in this province will be able to make like contributions, and likely greater, but whoever it is I would like to work on the problem. So I want to thank you very much gentlemen, for the time you have given me on this problem, because it is my life.

MR DREW: Q. There was one point you raised there interested me very much—I noticed it in the chart there—you spoke of the power costs. I recognize we are not following that chart through because you said you merely threw that out as a suggestion of the basis on which it was to be considered. Have you

actually made a study of the power situation at the head of the lakes as to the ways and means by which the power costs could be reduced?

A Yes, sir. You remember, Colonel, I had four black books here at one time?

Q. Yes?

A. That information was put together in 1929 by some of the best engineers and scientists and technical men, practical operators, that there are on this continent, and in that material there is a tremendous amount of power costs, analyses, not only on the Saguenay but the St. Maurice, Gatineau, all the Hydro systems. That material if you want it is available to you. It is put together at the expense of hundreds of thousands of dollars. Commencing with your question on the Hydro development at the head of the lakes I say this, but I would prefer that it be not put in the record:

—Witness' further remarks upon this subject taken off the record.

MR. DREW: I do not want to ask you to guess, or anything of that kind, and as you say you have this material; but you see one of the difficulties that I find in connection with this is the problem of getting the very people you mention to suggest any definite solution. We had here on Friday representatives of those various interests, other than labour, and in a case, for instance, of the Hydro-Electric, the representative of the Hydro-Electric quite properly pointed out that the law does not permit them to fix prices below cost. It seems to me that about as far as it went was to assure us that they would be prepared to take part in any negotiations which took place. There was no practical suggestion at all; and I do not know where it is going to come from unless it is going to come from those in the interests who have studied ways and means of solving this problem. I am perfectly free to admit my own disappointment at the lack of information on Friday along some of the lines upon which we hoped to hear some suggestions.

A. Well, Colonel, I would like to approach it from the other point of view. You may have certain basic costs that you must make, perhaps in Detroit. You feel that you cannot do very much with dues or labour or with freight rates. It seems to me that some kind of drastic policy might be necessary to follow, because your true point of reference is whether you are going to sell products, whether you are going to sell your commodities, and if just arbitrarily, all these basic factors have to come down 25 percent or 10 percent or 2 percent or 50 percent; that to recapture your market and put people at work and harvest your forest crop and sell your sulphates and sulphites and your paper and railway ties and mining timber and your pulpwood, the controlling factor is your markets. Are you going to be able to sell? The controlling factor is not your power or dues. It seems to me you are driven to do something drastic, whatever this reduction requires, to get your markets. I cannot help thinking of it that way; otherwise, I think you are looking at the reverse English.

I do not know that I carry the judgment of other people on it, but in selling products as we try to do competitively, we, for instance, in Wisconsin, we are met in Northern Michigan, Northern Wisconsin, Northern Minnesota with the

pulps from the Nordic countries, the south, the east and the west. We are also met with the pulps that have come in from Manitoba and Saskatchewan. There we are, inside of those grindstones, and we have to get, from the purchaser's viewpoint, similar quality at the lowest price.

MR. COOPER: To successfully obtain a market for timber you might have to run the Hydro into financial difficulties?

A. Perhaps; I do not know. But it is the same thing with railroads. If you follow the passenger traffic in United States, the moment they put the passenger rates from $2\frac{1}{2}$ cents to $1\frac{1}{2}$ cents a mile the railroads' net income was up 100 or 200 percent, whatever it was, on the basis of lower costs more volume, more abundance. This schedule was compiled for nothing else than a guide, if it is a guide. It is just thrown into the discussion.

MR. DREW: Just before we leave that point I should like to mention this. Each one who has given evidence has said that there must be some drastic rearrangement if we are to meet the competition that is going to follow this war, whenever that may come. It would appear that it is in everybody's mind that some method be found for increasing the efficiency of the industry as a whole and finding some more effective method of selling the products of the industry outside of Canada, which, after all, is our main market. That being the case it seems to me that one of the things this Committee would be most anxious to hear would be the suggestions of one kind or another as to the method of handling this extremely involved problem.

A. Will you permit me, then, to venture some suggestions?

Q. That is what I am suggesting.

A. Well, all right. Without any reflections on labour, because I feel that they are not getting enough as it is—and please keep this off the record.

Power takes 80 horse power to make a ton of paper, as I remember it. I have not my books here. But if you reduce your power 25 percent I think you will save in the cost of paper—don't hold me to these figures because they are rough—I think it will amount to about \$1.20. 25 percent less in labour per hourly wage but 50 percent more in annual income. Now, it will work out that way. You would save on your pulpwood about \$2.00 a ton. You would save in labour inside the mill likely 80 cents a ton. The financial structure, and we will take the Great Lakes, for instance—\$6,000,000.00 at $5\frac{1}{2}$ percent. That is \$330,000.00. 70,000 tons would make it about \$4.70 a ton. Now, if the Great Lakes were financed on a common stock basis instead of on the senior security basis, or if their money was given to them for 3 percent instead of $5\frac{1}{2}$ percent, or something could be done in the financial structure, it likely would be possible to save \$2.40 a ton or maybe \$4.70 a ton.

Now, the freight rates, for instance, to Chicago and Detroit and the like. Your freight rate from the Great Lakes to Chicago is \$6.80 a ton. To Detroit the rate is \$8.40 a ton. As the railroads get about 25 percent, giving them more volume, that is another \$2.00 a ton.

MR. SPENCE: Do you not ship by water?

A. Only part, but their storage is on both sides. There would be some more costs, and then running at 100 percent as against 70 percent, well, you divide your depreciation and your maintenance and upkeep, and there would be another \$1.75. This is merely illustrative in the newsprint field. It can parallel down through the chemical pulp field to the lumber field. That is \$10.15.

If you could reduce your costs of newsprint from \$50.00 to \$39.85, you would likely keep out all southern competition, your Nordic competition and all west coast competition. I merely mention these factors not only in print but in the chemical pulps and lumber.

I feel it is principally a two-point problem; first, a sales promotional research undertaking between capital, the government to some extent, and, secondly, to get your costs down to control your contributory market or quality and price—along the basis of that chart, which is wrongly worded, merely for the purpose of trying to see what can be done to fan out our markets and get down our costs. Then, too, the timber operator or the financial people, the stock holder, such as myself and others; that if our costs are made less and it is the attitude of any operator that he is going to benefit by this lower cost, to get more profit or to take anything away from labour or any other people who are contributing to the costs betterment, that there should be some kind of control so that that would not be permitted.

Maybe that is going too far to suggest, that the Government should go further into the industry. But where the Government has the power and the timber and wants to put men at work and they want to sell their products, I am at a loss to know what factors could be brought together that can do this kind of a job, drastic as the problem appears, other than a co-operative attitude between labour, capital, government. I do not see it.

HON. MR. NIXON: The principle, as you suggest it, is surely not sound, in so far as the reduction of power by 25 percent goes. You get your power from a publicly owned utility and you have the assurance and we have the assurance that you get it at cost. If you are going to arbitrarily reduce that by 25 percent the difference will have to be raised out of the ordinary taxpayer. There is no other place for it to come from.

A. Would that be true, Mr. Nixon? I am not sure, but I was told that there was about 30,000 increase in primary power by the Hydro? Is that correct?

Q. Well, I know they are very greatly worried about power.

A. This year?

Q. For the future. They are looking now for more developments. We have the great development in the mining areas as well as increased activity in pulp.

A. Divert the Ogoki and put in one more power development in the Nipigon and you step up your power nearly 100 percent.

Q. If you have a 25 percent reduction in freight rates the railroads are not going to make any more profits out of the existing business?

A. I can only say in answer to your question that I feel the added volume you get will more than compensate in net returns, that is in any reduction that is inaugurated, because you are going to get a much greater volume. For instance, in my business, if I sell 10,000 cords of pulpwood, I have got to sell, with my overhead and organization, 40,000 cords or I would go out of business. It is predicated on volume. If you can show the railroad companies and the power companies and labour, and everybody else involved, that you are going to get more gross and net returns because of added volume, you are reducing your costs as well as increasing your income. I know it is a terribly drastic thing to try to carry through, but I cannot see any other way out of it. If others can, I would be glad to hear it. I am going to ask the Colonel, have you got it in your mind clearly yet?

MR. DREW: I have some ideas but I am not giving evidence at the moment.

THE CHAIRMAN: Well, if there are no more questions, I extend to you the thanks of the Committee for the evidence you have given, Mr. Johnson.

MR. E. E. JOHNSON: Thank you.

(At 4.05 p.m., Monday, April 22nd, 1940, the Committee adjourned until Tuesday, April 23rd, 1940, at 10.30 a.m.)

TWENTY-SECOND SITTING

Parliament Buildings,
Tuesday, April 23rd, 1940.

Present: Honourable Paul Leduc, K.C., Chairman; J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. Spence, M.P.P., F. R. Oliver, M.P.P.

THE CHAIRMAN: Gentlemen, the meeting will please come to order.

MR. DREW: Just before we proceed. You had asked me as to the possible witnesses following Mr. Heenan and I have indicated my desire to place on record the evidence of certain members of the Department so we will have the complete set-up, but in view of some of the discussion which has taken place and in view of the fact that the newsprint production is such a very substantial part of the industry which we have under consideration and necessarily is per-

haps the major concern, in some ways, of the ultimate use of the forest, I would like to have called as a witness here Mr. Charles Vining, president of the Newsprint Association of Canada. Mr. Vining is from Montreal.

HON. MR. HEENAN: He is in town right now, Colonel.

MR. DREW: He is?

HON. MR. HEENAN: Yes.

MR. DREW: And would be available?

HON. MR. HEENAN: I think he is going to be here to-day and to-morrow.

MR. DREW: If that is so, it might help us a great deal.

HON. MR. HEENAN: I know he has an appointment to-day with the Chief sometime.

MR. DREW: He has an appointment?

HON. MR. HEENAN: With the Chief at 3 o'clock to-day.

THE CHAIRMAN: With Mr. Hepburn?

HON. MR. HEENAN: Yes.

MR. DREW: If that is the case, I would suggest with respect to the possibility of making arrangements with him,—after all, he is a man whose time may not be available, but I would suggest, even if we are going to finish with Honourable Mr. Heenan to-day, and perhaps we will,—that we fix a time.

I would suggest that we make an arrangement with him to have him here to-morrow.

HON. MR. HEENAN: I think he would be a good witness. What I mean is I do not know what kind of a witness he would be, but I know he can give you a lot of information.

MR. DREW: Mr. Vining, after all, is president of the Newsprint Association of Canada and I would imagine he is the man who can perhaps give us more of the actual interlocking activities of these companies in the matter, outside of the officials of the Department.

HON. MR. HEENAN: Quite so.

HON. MR. NIXON: Do you desire to call anyone, Colonel Drew?

MR. DREW: Yes. At the appropriate time I want to call Mr. Sensenbrenner and ask him to come here at his convenience also. I know nothing of his whereabouts at the moment, but I imagine he would be glad to come.

HON. MR. HEENAN: I know he wants to come.

MR. DREW: That is what I understood.

THE CHAIRMAN: I will give instructions that he be wired and asked to come at once.

MR. DREW: Very well. I also want Mr. Sweezey. If you desire any other names at the moment, I can give you them, but I think perhaps out of Mr. Vining's evidence, perhaps we can form an opinion as to the best sequence of calling witnesses.

THE CHAIRMAN: You want to hear Mr. Heenan to-day and we will try to arrange to get Mr. Vining here. I understand you also want to hear the Forester of the Department and perhaps some other officials.

MR. DREW: Yes. I want to examine Mr. Zavitz and Mr. Sharpe.

THE CHAIRMAN: That will take a few days,—at least to-morrow,—and it would be well to find out when we can ask these gentlemen to be here.

MR. DREW: Yes.

THE CHAIRMAN: We are trying to get in touch with Mr. Vining. We might at adjournment this afternoon see how far we have progressed with Mr. Heenan and when these gentlemen can be called.

MR. DREW: Yes.

THE CHAIRMAN: And if you have any other names, then you might arrange to submit them to the Committee and in turn it can be arranged to have them here.

MR. DREW: Yes. While it is desirable that we shall not break into the evidence any more than necessary, always have in mind the fact that either Mr. Heenan or the members of the Department are always here and I would be inclined to think that we could break in at any time convenient to any of these gentlemen if they want to fix a date.

HON. MR. HEENAN: Any time.

MR. DREW: For myself I would think rather than bring Mr. Vining here this afternoon, it would be well to definitely decide if it is convenient to the Committee to have him here to-morrow, because I feel sure we can at least devote a whole day to his evidence.

HON. MR. HEENAN: I think you should make up your mind as to what witnesses you would like to call here and use the Department and myself to fill in any time.

THE CHAIRMAN: I do not know if Mr. Sensenbrenner is available for Thursday, or whether Mr. Sweezey can be here on a certain date.

MR. DREW: Quite so. It is recognized that you cannot fix dates as yet.

I will give you another name of a gentleman I would like called.

I have no idea whether he is at home at the mement. His name is Mr. F. G. Robinson, president of the Canadian Pulp and Paper Association.

THE CHAIRMAN: Where is he from?

MR. DREW: Montreal; the Sun Life Building, Montreal. I do not want to anticipate unnecessarily in regard to the discussions which will be coming up, but I believe this Committee has certain services to perform and perhaps one of the most important services that this inquiry can perform is to act as a medium of informing the public in regard to certain things which have taken place and certain things which are desirable. I would like to see the presidents of some of the largest paper companies brought here to explain the problems of the industry and the way in which their activities can be co-ordinated with those of the Government, because whether or not we like that principle, the fact remains that this government and the government of the Province of Quebec are so closely associated with the actual administration of the industry at the moment that it is of the utmost importance not only that we know how the thing is being done, but how it should be done in the future.

For that reason I have in mind the desirability of calling here witnesses to explain the situation. Of course Mr. Clarkson represents the largest industry and I would like Mr. Clarkson to appear as a witness before this Committee. I realize that he has already appeared before the Conference, but I would like to see him appear before this Committee in order that he may be questioned as to the various aspects of the problem.

Then, I would like Mr. Arthur F. White, the managing director of the St. Lawrence Paper Mills called.

THE CHAIRMAN: Of Montreal.

MR. DREW: No, of Toronto. And Colonel C. H. L. Jones, Montreal, president of the Mercier Paper Company, and Mr. L. J. Belknap, president of the Consolidated Paper Company.

THE CHAIRMAN: Of Montreal?

MR. DREW: They have an office in Montreal. And Mr. John H. Hinman, president of the Canadian International Paper Company, New York. They have an office in Montreal with direct communication to New York.

I might explain in regard to all these latter names I have mentioned that their appearance, of course, would be as a matter of courtesy, because we are merely asking them to come here and inform us in regard to certain matters in connection with certain problems of this industry.

THE CHAIRMAN: That applies to men and districts outside of our jurisdiction.

MR. DREW: Yes, but I mention these names because they are the men

who are presidents of the largest industries now affected by the interprovincial arrangement which exists and which it seems to me should be perhaps the most important subject of our inquiry. I would be inclined to think that all would appear personally gladly, or if not they might possibly suggest some alternative if they felt someone else was in a better position to give the technical information.

THE CHAIRMAN: Colonel Drew suggests that Mr. Sensenbrenner, Mr. Sweezy, Mr. Robinson, Mr. Clarkson, Mr. White, Colonel Jones, Mr. Belknap, Mr. Hinman be asked to come and give evidence before this committee. Is that agreeable to the committee? (Carried.)

THE CHAIRMAN: I will give the necessary instructions to the secretary.

I have a note from the Secretary stating that Mr. Vining will appear before this Committee to-morrow at 10.30 a.m.

HONOURABLE PETER HEENAN, recalled:

MR. DREW: Now, Mr. Heenan, we were proceeding at the time you were last giving evidence to this Committee with the discussion of these companies with which agreements were signed in 1937. The next company to which we would refer in the order in which they appear in the report is the Huron Forest Products Limited. Now, the contract was signed between the Department and Huron Forest Products Limited on April 19th, 1937, and that, of course, would be approved by Order-in-Council. I would think, perhaps, to keep the record in order as we have before that it would be well to have filed a copy of the Order-in-Council approving that.

THE WITNESS: I actually thought we had passed that one, or finished it, Colonel. When Mr. Johnson was on the stand at the preliminary hearing he explained pretty well the Huron Forest Products and we have kind of left aside our file in connection with that and came prepared to start at the Soo Pulp Products Limited agreement at page 123 of the report.

Q. I will check back so we will not duplicate. I will check back on the record and if there is anything further needed in connection with it, we will deal with it.

MR. COOPER: We covered that agreement at pages 750 and 751.

MR. DREW: I will check back and see if it was completed, and if there is anything further, as I say, we can come back to it.

Q. I refer to the contract of the Soo Pulp Products Limited, which was entered into between the Department and the Soo Pulp Products Limited on August 11th, 1937. Have you the original, or a copy, of the Order-in-Council, recommending the approval of that contract?

A. Yes, we have it here.

Q. Is there a copy which can be filed as an exhibit? In any event, if a number is left as indicated for an exhibit, the copy can be put in.

THE CHAIRMAN: Exhibit No. 37 will be the copy of an Order-in-Council approving agreement in connection with the Soo Pulp Products Limited.

EXHIBIT 37: Filed by Mr. Heenan; Copy of Order-in-Council, dated August 23rd, 1937, approving agreement with Soo Pulp Products Limited.

THE CHAIRMAN: What is the date of the Order-in-Council?

HON. MR. HEENAN: August 23rd, 1937.

MR. DREW: Q. May I see the Order-in-Council?

A. Yes.

Q. I would read from the recommendation for the Order-in-Council upon which the Order-in-Council was actually based. I see the recommendation is dated August 23rd, 1937, the memorandum of agreement apparently having been approved on August 11th, and that was the date it was given, although the Order-in-Council was not actually passed until August 23rd.

In the recommendation of the Minister dated August 23rd, to the Cabinet-in-Council, it recites the various details, first of all the fact that the Transcontinental Development Company Limited had certain rights on the Nagagami Pulp Concession in the District of Algoma, reciting certain charges which were in arrears and also reciting certain other details. The recommendation contains these words:

"A draft agreement has been prepared and is attached hereto. The more important features of the agreement are as follows:

(a) The company on or before the first of June, 1938, shall commence the construction of a pulp plant on the shores of Lake Superior having a capacity of two hundred tons per day and the said mill will be completed on or before November 1st, 1939, at a minimum cost of \$5,000,000.

(b) The company, in the mill, will employ at least 350 men, and in the bush operations shall employ for not less than six months of each year an average of 500 men.

(c) The Company shall deposit \$50,000 cash as a guarantee of performance under the contract and when the mill is erected the said \$50,000 may be applied on account of Crown bonus charges.

(d) For domestic supply the Company shall pay for spruce Crown dues plus a bonus of 15 cents for balsam and jack pine Crown dues plus a bonus of 10 cents and for other pulpwood a bonus of 5 cents. For log timber, railway ties and other classes of timber not otherwise provided for in the agreement, the company shall pay such prices as may be fixed by the Minister.

(e) The Company is entitled to export one-third as many cords of spruce as it utilizes in its mill and for this export spruce it shall pay Crown dues plus a bonus of 40 cents, balsam Crown dues plus a bonus of 15 cents and for jack pine and other pulpwood Crown dues plus a bonus of 10 cents."

On that recommendation the Order-in-Council was passed the same date and the agreement was signed which bears date of August 11th, 1937.

In the first place, if I ask any questions which call for an obvious answer, Mr. Heenan, it is only for the purpose of completing the record which others may have to read.

As I understand it, in the recital of the most important features of the agreement in the order in which they are given in the recommendation, the company on or before the first day of June, 1938, was to commence the construction of a pulp plant—

THE CHAIRMAN: 1939.

MR. DREW: —to be completed before November 1st, 1939. That is rather interesting. As a matter of fact, the typed copy of the contract says "on or before the first day of June, 1939," but the Order-in-Council clearly says, "The first day of June, 1938."

I do not know whether it affects it, but I imagine that is an error in the copying of the agreements.

Q. As I say, the first in importance was that the mill was to be commenced on or before the first day of June, 1938, and to be completed on or before the first day of November, 1939, at a cost of \$5,000,000. That mill has not been completed; has it?

A. Pardon? Will you just repeat that again, Colonel.

Q. I say the first of the recommendations contained in the Order-in-Council taken from the agreement was that the mill was to be commenced on or before the first day of June, 1938, and was to be completed on or before the first day of November, 1939. That has not been done; has it?

A. No.

Q. Has anything at all been done in connection with the erection of that mill?

A. No, they have not done anything except to keep their overhead in good standing.

Q. When you say "overhead", what do you include in it?

A. Fire protection; ground rent and fire protection.

Q. Fire protection and ground rent?

A. Yes.

MR. COOPER: Q. Did they put up the \$50,000?

A. Yes. They are in default. Just so we will have it clear, they are in default this season now.

MR. DREW: They are in default?

A. In payment, I mean.

Q. Of what?

A. Of the fire protection and ground rent.

Q. Oh, they are in default. To what extent?

A. \$29,440.

Q. To the extent of \$29,000 and what?

A. \$29,440.

MR. COOPER: Q. Covering what period, Mr. Heenan?

A. That is 1939, 1940 and 1941.

HON. MR. NIXON: Q. The dues of ground rent have to be paid that far in advance?

A. Well, they are back one year and this particular year.

Q. 1940 and 1941?

A. Yes.

Q. When was that due?

A. The first of April.

MR. DREW: Q. When you say 1940 and 1941? You mean for the coming year?

A. Yes. Last year,—I call it last year, because we are never very particular about a little while in the ensuing year, because they pay interest on it.

MR. COOPER: Q. And last year was just due the first of this month?

A. Yes.

MR. DREW: Then, Mr. Heenan, they are in default in regard to not only the completion of the mill, but they have done nothing to commence a mill

and they are in default to the extent of \$29,440 for fire protection and ground rent?

A. Yes.

Q. What is the present position as far as the contract is concerned?

A. Well, it is like the rest of them. We have the \$50,000 and we have not been taking any action except prodding them along to pay their ground rent and fire protection charges and asking them when they are prepared to complete the mill in accordance with the agreement.

Q. Have you the last letter which sets out the present position in regard to that contract?

A. There has been no extension of time, or anything like that.

Q. I think perhaps the last letter will indicate what the present position is in regard to this company.

A. We have a lot of correspondence here, but I think, to shorten it up, this is the last one:

"Toronto, July 28th, 1939.

"Attention Mr. Strachan Johnson.

"Re Soo Pulp Products Limited.

"Please be advised that the Soo Pulp Products Limited is indebted for overhead charges for fire protection to the extent of \$15,005.14 as shown in the enclosed statement.

"Provision is made in the agreement for the rights of the Minister to waive the right of forfeiture arising out of the agreement by reason of your failure to meet your building obligations, but you can readily understand, I am sure, that while no steps have been taken to formally declare the agreement forfeited, the minister's right to waive forfeiture might very well be exercised when the overhead charges are in arrears.

"Consequently I would request payment of the same to avoid demand of forfeiture.

"Signed, Mr. Cane, Deputy Minister."

And they paid up, so that is about the standing of it.

Q. Did they pay up in full at that time?

A. They paid up in full at that time.

Q. So the \$29,440 is since that?

A. Since that. That is where they stand now and I am advised that they are going to pay.

Q. May I just see that file for a moment in order to get a general idea of the sequence of events in connection with this company?

A. Yes.

Q. What is the condition of that pulp mill which was commenced by the Transcontinental Company? Has any substantial amount of work been done?

A. They did not commence it, Colonel.

Q. The memorandum recites:

"And whereas before the said Transcontinental Company had commenced the construction of the said pulp mill, or the said paper mill and before the said company had commenced the harvesting of the timber upon the said area, the ground dues chargeable within the province of Ontario—"

and so on.

A. Yes, but it had not commenced.

A. But it recites that the Transcontinental Company who held this area before it was granted to the Soo Pulp Products had commenced the construction.

THE CHAIRMAN: No, before it had.

THE WITNESS: What really happened is that there was a transfer of those limits into the hands of the Great Lakes Paper Company, and that is one of the limits that was given up by Mr. Carlisle, as president of the Great Lakes Paper Company.

MR. DREW: Q. Had this come under the control of the Great Lakes Paper Company?

A. It did, yes, and that was one of the limits Mr. Carlisle gave up to the Government in the reallocation of the limits.

Q. That is, the whole of this 2,300 square miles?

A. Yes. He gave the Long Lac, the Pic River and the Nagagami Limits.

THE CHAIRMAN: Where is that? Is that the blue patch on the map?

MR. DRAPER: Yes.

MR. DREW: Q. Is this a completely new company; that is, the Soo Pulp Products Limited?

A. Yes.

Q. And Mr. George C. Schneider is the president of that Company?

A. Yes.

Q. Who were his associates in this company, as far as you know?

A. Well, in the formation of the company, I think Mr. Greer and Watson.

Q. Mr. whom?

A. Messrs Greer and Watson.

Q. You mean they were solicitors?

A. Yes.

Q. Who were the associates in the Company?

A. The financial associates?

Q. Yes?

A. Oh, I do not know.

Q. What I have in mind is that in looking through the file it begins with the memorandum of the agreement and the recommendation to Council and the approval of that agreement. Is that the beginning of the file?

A. That is all that I know of. That is all in connection with this new company. Of course there are the old files in connection with the old companies.

Q. What I have in mind is that here is 2,300 square miles of forest territory which is granted by Order-in-Council to a company known as the Soo Pulp Products Limited, and perhaps you can tell me if this is the complete file or if there is another file on Soo Pulp Products Limited?

A. No, sir, not now. That is the complete file of that company, but there are the old files relating to the old companies which had that area before. There are the Great Lakes and the Transcontinental.

Q. But Schneider was not the president of the old company?

A. No, sir. That is the beginning of this new company which you have on page 123 of the Report, which you are now discussing.

Q. The thing which strikes me about this file,—and perhaps I may have overlooked it,—is that I can find nothing here as to the set-up of this company or the financial set-up of it, or any information as to the men who formed the company.

A. No, sir; we did not ask them.

This man Schneider came over here and he is a man we know in Canada, because he has been interested in pulp and paper and logging for a good many years. He said he could get United States men to put money in and build a mill. So, we made the agreement. We had the timber there and we gave him the old timber limits which had not been put into active use under the conditions that he would put down his \$50,000 and pay the ground rent and fire protection charges on it as provided by the agreement.

Q. I am again getting back to the point which we discussed before and about which we may have had different ideas. But, I am getting back to the question of how the Department decides who will and who will not be granted these areas, and quite apart from any information which may have been in the possession of the Department by way of personal knowledge, I can find nothing on this file of any kind to indicate who the people were, what their financial standing was or what their past experience was, who were granted this tract of land. There is nothing here at all, as I say, so far as I can find out, in that regard.

A. You are right. So, we will have to go back over it again. As you have heard different people talking and evidence given here that there was quite a campaign on to invest money in southern pine and other places. It was reported in the Press and elsewhere that there was going to be investment of over \$100,000,000 in plants down in the Southern part and we tried our best to forestall that, or at least get a share of it and a man of Mr. Schneider's standing came over here and he said, "If you will give me an area I will get financiers in the United States to build a mill in Canada." And we made the agreement with him.

Q. Well then at the time these arrangements were made did Mr. Schneider give no indication of who the men would be who would be associated with him in this venture?

A. Well, Colonel, I forget who they were. In the discussions in the office he mentioned men of great wealth in the United States but that was not a part of the agreement whatever, just by way of discussion, that he could get so many men to put up so many million dollars and who were interested in the project themselves, and so on.

Q. This as I understand it is a choice piece of property, this 2,300 square miles, isn't it?

A. Well, it is not as choice as it sounds, "2,300 square miles," Colonel, for the reason that the company held it from 1921 and they couldn't see any profit in it and didn't even pay their overhead charges, so that it couldn't be called a choice piece, and for the reason that it is practically all railroad down there, the Algoma Central, to either Sault Ste. Marie or Michipicoten. So it is far from being a choice piece.

Q. Have they done any cutting on there?

A. Not a thing.

Q. None at all?

A. For the reason that it is not choice. I think they would have come and asked us to export pulpwood from it if it had been economically sound.

Q. Well now, Mr. Heenan, just looking at this as a question of method of handling the forest areas, and that after all is what we are concerned with more than what has happened in the past, it does seem to me that it is highly desirable that there should be on record some indication of who the people are who really constitute this company, because, while it is a limited company, it is perfectly true the strength of any limited company depends upon the individuals who make up the directorate, and I can find nothing on this file which would indicate any information in the possession of the Department that anyone other than George C. Schneider is interested in this company. That is right, isn't it?

A. You are right.

Q. Quite apart from the question of his standing or anything of that kind, it does seem to me that it is an unsatisfactory situation in an industry, particularly with the industry as unsettled as it is, that an area of 2,300 square miles should be alienated to a company which is really so far as the development is concerned merely the corporate representative of Mr. Schneider himself, and that the matter should be allowed to continue merely on the payment of the dues to where it is at the present time, because it would seem to me that this company or any other company in a similar position is being given an opportunity to benefit largely by improved conditions if that time should come without making any corresponding contribution for it. Isn't that so?

A. Oh, there is a lot in what you say, Colonel. I don't think that you will find in one of the agreements or files of the Department where the person who got a concession disclosed or was asked to disclose who his financial associates were—they have been nearly all what you might call promotional schemes. A man gets an agreement, he goes out and then he solicits financial men to go into this deal and develop with him. I think probably there is a lot in what you say, that you might in the future make these men disclose who is behind them, and if they won't don't make an agreement with them, for more reasons than one: Not because of the fact that you want to see that these things are not carried around in somebody's pocket for a year or two, but for another reason, that sometimes these companies overlap. They overlap, and if you want to keep away from one company getting two or three concessions it might be as well that you take more care and see that these people, whoever they may be, disclose all their financial backing. I don't disagree with that for a minute. In fact, as I said here at one time when I was on the stand before, there was a company came in later to develop up around Mr. Cooper's line, after the Lake Sulphite went into receivership. We had the area all blocked out, spent a lot of money on engineering, at least the company did, found where they could get water powers, or sites to develop water powers, and then when they came to make the agreement I said that this was going to require a six million dollar development and I would not recommend to the cabinet that they give them this agreement unless they have it so that the money would be spent on the development of this property, and so we didn't get them. But I would rather be—answering your question—without an agreement than have them in this haphazard style.

Q. We are in entire agreement on that because it does seem to me now, looking to the future, it is an unsatisfactory basis on which to be dealing with this when the holdings are so unsettled?

A. That is right.

Q. Perhaps it might help to give us some information as to who Mr. Schneider is?

A. He is President, or he was associated with George Wisconsin Meade. There are two Meades, we call one George Dayton Meade and the other George Wisconsin Meade. He was operating with him, doing business with him at the head of the lakes for many years, I don't know how many.

Q. You say operating for them?

A. Managing for them.

Q. So that we may take it then that Schneider is—

A. No, he was; he is not now.

Q. Was he at the time this agreement was signed?

A. No.

Q. So that in this case he is not representing the Meade Corporation?

A. No.

Q. But himself?

A. He is representing himself.

Q. As far as you know?

A. Yes.

Q. Do you know where his home is?

A. If you will hand me that file we might be able to get it in there. We can get it.

THE CHAIRMAN: There is a telegram here from Mrs. Schneider, from Evanston.

WITNESS: We can get it from Mr. Strachan Johnston.

At any rate, I figure a man who can rake up \$50,000 must have somebody behind him, Colonel.

Q. Yes. But I am just outlining this, Mr. Heenan, because it does seem

to me that in our consideration of this problem we must try to form some conclusion as to the best method of dealing with territory of this kind. \$50,000 is undoubtedly to any individual a large amount of money but the fact remains that it is a relatively small sum when you consider the ultimate amounts that are involved in any of these enterprises if they go ahead. I have in mind that, while the amounts vary, in the case for instance of the Abitibi there has been over a hundred million dollars of actual public money go into that company and in their case the only real asset behind that, a very real asset, but the asset behind it is the timber area that they control; of course they have their mills and that sort of thing, but the substantial asset is the timber area; and I have in mind when I am trying to find out just what the situation is the fact that there is a tremendous potential value behind any one of these areas that is allocated in this way. The reason I want to get the picture clearly on record is, that I for one would like to see what way can best be devised to assure the most effective development for the province on the one hand and the protection of the province on the other in relation to these territories, and while \$50,000 is a large amount of money it is a small in relation to the value of the areas involved and of course would be extremely small in relation to the loss that might accrue if through improper methods there were a fire or anything of that kind. So that I get back to the starting point, that it does seem to me the Government in any of these should have some record on the departmental file or files which would show the people who are going to deal with these. While I can quite recognize that many of these matters start in the promotional stages, it would seem to me that as a matter of departmental routine there should be an effort made at the earliest possible date to ascertain who the responsible people are who will be responsible for the directing of the affairs of the company. Don't you think that would be a good thing as a matter of practice?

A. Yes. It is one of these things, Colonel, that we could argue either way. In the first place, we want business. You take this very same area, it was disposed of in 1921 for the purpose of building a mill; no doubt there was a deposit required at that particular time, and so on.

HON. MR. NIXON: Q. That was the first time it was out of the hands of the Crown?

A. Yes.

Well now then it changed hands and neither of the two companies which have had it previously saw fit to invest in a mill. Then there came a rush for pulpmills and naturally I was desirous of getting some of that development. Somebody had to go and get in touch with American investors—I didn't know them, I know a few of them now, but these fellows are in touch with them all the time,—and he said, "If I can get an area I can get men to put money in." He couldn't get people to put money in unless he had an area, so you can argue either way. He has got to have an agreement with the Crown first that he can get a mill, he has got to show the investor the cost of taking it to a certain point and developing it and so on before he can get these men to put their money in. So that all our paper mills practically have been built on that method. If we sit still and say, "Well anybody who wants timber area to build a pulpmill will come down to the Province of Ontario and see us," we might never get anybody to come in. We are not losing anything by it, Colonel, for this reason: There is an area

there of 2,300 square miles and you are at least paying for the fire protection charges, and we would have to protect it anyway, and we have got the \$50,000.

There may be other methods. For instance, we could advertise to the world that we had an area of so many million cords of spruce and other species of timber in it that the Government of Ontario would be glad to negotiate to sell to any responsible body of men and let them come to us, but that has not been our policy.

Just to conclude that, Colonel, no matter what we may do for the future, as I say that has been the policy in the past and up to now, and, as I recited here on other occasions, nearly all our developments in our pulpmills have been after agreement has been signed to build these a year or two—it has been many, many years after before finances and everything got in shape to build the mill. In fact every one of the mills that I know of in the Province of Ontario, at least I should say not one of the mills in the Province of Ontario has hit the ball according to the agreement.

MR. DREW: Q. I am not suggesting that the past has been too satisfactory in regard to the whole industry; what I am interested in is what should be done.

To return to the question of the granting of this territory to this company, when was this area taken over from the Great Lakes Paper Company?

A. I wish you wouldn't say "taken over" from it, "taken from them"—"when did the Great Lakes give it up?"

Q. It is a question whether a man puts his hands up or puts them down, I suppose.

A. January 25, 1937.

Q. Then under what arrangement were these taken over or under what what arrangement did the Great Lakes Paper give them up?

A. I am not so sure but this letter to the Hon. Mr. Nixon might clear it up—I think we have this on record already: "We give up the Long Lac 3,400 square miles, the Pic River . . ." and then they go on and tell us the cordage that was on that, the Pic 1,400 square miles, ". . . the Nagogami 2,300 square miles. We retain" (that is the Great Lakes retain) "the Black Sturgeon 940 square miles. The Government has further allotted to us 910,000 cords in the townships of Savanne and Fallis, a small limit west of the Nipigon and northeast of the Black Sturgeon with an estimated cordage of 350,000 and the limits known as the Central Paper Company, estimated cordage of 500,000 cords." In other words we would take what was agreed was the Nagogami development of timber away from the mills and east to the mills and we were giving them smaller lots of timber west and they retained the more economical to the Great Lakes which was west of that.

Q. Was that based on some recommendation to the Department?

A. Oh, no; conferences between Mr. Carisle and his foresters and the Minister and his foresters.

Q. But what I am interested in, Mr. Heenan, is just actually how a thing of

this kind comes about, and it seems to me that it is a very important point in considering the general question of administration policy because it ties in with any solution of this whole question. You say that it was decided that it was uneconomical for this company to hold these areas. Well, now, the fact that it was uneconomical would necessarily be based on some information of some kind?

A. Not to hold the areas, but to operate the areas, because the timber was too far from the mill.

HON. MR. NIXON: Q. Of course it cost them money to hold the areas too?

A. Yes. Maybe I had better go over this again, Colonel, so that you will understand; it has probably gone out of your memory: Here was a company, the Great Lakes Company, that had areas, one to build 150 tons on the Black Sturgeon, then later the Pic River to build another 150 tons, then the Long Lac to build—I may be just out in this, but a 100-ton mill I am pretty sure—and the Nagogami; all these limits obligated to build mills. Well, they had to pay the overhead on these but still not develop them and all these mills were not under construction because they told me they were not going to develop them. So then what started all that discussion, as you will notice there were some of the overhead charges on the Nagogami limit that were not paid by the company. Those are things that are in general discussion all the time in the Department, “Why aren’t you paying your bill on this?” and the companies are always arguing why they shouldn’t pay this and do that, and so on, so these negotiations arise out of this kind of conglomeration of situations. And so instead of just saying, “Now, we are going to take that off you, we are going to take this off you, we are going to take the other off you,” we reason the matter out: “What are you holding that for? What do you want that for? You are paying so many thousand dollars a year for what? We can do this with that area and we can do the other with the other area, and why don’t you give them up?” “Well, we will give them up provided you give us timber over here which is more economical to our mill.” That is how these things arise. Don’t forget that this is one of the—I am not, now, saying this in a derogatory way about any other Minister or Government—this is one of the things that was left on our doorstep.

Q. Which do you mean, the Great Lakes Paper?

A. The Great Lakes Paper and all these areas disposed of by the Crown and nothing done, no development of them.

Q. Isn’t the same situation being repeated to-day?

A. Pretty well.

Q. I must confess I don’t see any difference, except for a change in name of the company, between the situation before and to-day in relation to these areas we are now discussing?

A. Well, yes, we have the Long Lac area disposed of to another company and the Pic River disposed of to the Lake Sulphite, we have the Nagogami that you have there now disposed of to another company, we are at least putting men to work and getting revenue from them.

Q. Yes, but I am not arguing the point one way or the other but I would point out that a lot of these companies might have been working before, not on building mills, but they have been cutting?

A. No. Nobody cut on the Long Lac area.

Q. Not on the Long Lac, but of course a million and a half dollars has been spent by the Hydro-Electric or by the province to make it possible for them to be operated?

A. No, a million and a quarter of dollars was not spent to make it possible; there was about \$300,000 attributable to that; the Hydro wanted to build the biggest part of that; there is no use in trying to misinterpret the figures.

Q. That money has been spent and we quite understand the major part of it is a power project, not water for the carrying of logs; all I am getting at, on the Long Lac something has been done there that makes it possible for them to get the logs out; but you spoke of the fact that you find areas on which people have rights and they don't fulfil their contracts and, as I see it in the case of this company we are examining, the situation is precisely the same as it was when you took hold of it, because the Transcontinental had rights, they had undertaken to build a mill, they had done cutting, they owed some money; the present company has promised to build a mill, has not built a mill, has apparently done no cutting and owes money for dues; so that the position is the same?

A. The only difference there, Colonel, is—I am not going to split hairs with you—this, that the other company said they were not going to build mills; this company says they will build a mill.

Q. And you don't think they should?

A. This company?

Q. Yes.

A. Who said that?

Q. I understand that your position is that they shouldn't proceed with the building of these mills at the moment?

A. Oh, no, that was Mr. Clarkson made that announcement; you are referring to what happened—

Q. No, I understood your feeling was that?

A. No, no, don't let us get mixed up again. Newsprint mills, no. I don't agree with what Mr. Clarkson said here the other day, that we shouldn't go on with the development of our pulpmills, because there is a market for that. There is not a market for newsprint and we are likely to get our wires crossed. I think a good many people get their wires crossed as between newsprint mills and pulpmills and rayon mills. There is the market in the United States, one and a half million tons going over from Scandinavian countries within the

last few years and so on. I understood Mr. Clarkson's position had been to not force those companies to build them a little while until you get all the facts. Well, they are still building mills in the southern states to compete with us, and yet his idea is—I don't think he intended it that way—that we should sit still and see that there is nobody else wants to build a mill or can build a mill anywhere else in the world till we do that. I would rather build mills if we can co-operate and get the markets and that is what we have been trying to do, trying to get these people into a position they will be able to lower their costs so that they will be able to compete with anybody else; I don't believe in just sitting still and waiting to see if we can do what somebody else can do or that we cannot do something because somebody else is doing it.

Q. Well then, having regard to that, Mr. Heenan, if the desire is to have this mill proceeded with it does seem to me as it is nearly three years since this agreement was signed with the Soo Pulp Products Limited, that the time would have arrived at least by now to find out what they intended to do about the building of this mill and what effective steps they have taken to prepare for construction. Wouldn't that seem reasonable?

A. We can do that or we can forfeit their limits and try to sell again to somebody else and might have the same effect, Colonel. In other words, I don't think that the Government or a Minister should force people to build a mill if the financial interests that are behind it believe that it cannot pay. The only thing I think that we should do is to take into consideration whether or not we should forfeit that \$50,000 and take all the rights they have got back into the Crown and leave it there and run short of our fire protection and ground rent. It is there for us any time we want to take it.

Q. Just as a matter of actual procedure, on January 25th, 1937, the Great Lakes Paper Company gave up this area. Does any notification then go to the public of the fact that this area is open for exploitation—and when I use the word "exploitation" I mean in a perfectly proper way?

A. No.

Q. Then just as a matter of seeing how the wheels go around, how does Mr. Schneider come into the picture?

A. Oh, some of these men, Colonel, are in touch with Canadian affairs all the time and know everything that is going on.

Q. But what I am thinking of is this, the Great Lakes Paper Company had the rights over a very large territory and then it is decided following mutual discussion that certain of these territories will be withdrawn from their holdings and that others will be retained and that is done on the 25th January, 1937. Having regard to the desire to have these territories developed it would seem to me that it should not be left to the inquisitive nature of somebody to find out that that had happened but that there should be some way in which it would be indicated to possible developers or promoters, call them what you will, and that there should be some opportunity for competition. Wouldn't that seem reasonable?

A. Well, again from past experience, you get the same results: You advertise, say, taking that same area, advertise it for sale, the pulpwood, and some promoter comes there and bids the highest, through some legal firm probably, or himself, his cheque is there and his bid is there, you enter into an agreement with him and then he starts out again to get financial men behind him because he is then able to show financial men what he has, and so there is the same thing in another way.

Q. Was there any Order-in-Council passed covering the reallocation of the areas of the Great Lakes Paper on the 25th January?

A. Well, I don't think it was done on the 25th January. We gave him the undertaking that we would pass the Order-in-Council. Under arrangements in accordance with that.

Q. Was there an Order-in-Council passed?

A. Yes. I think we just cleaned that thing up the other day. I gave them a letter saying that we would agree to this and that we would pass the Order-in-Council.

Q. I think just so that we have the picture complete it would be well that we have those two letters as Exhibits, that is the letter in which they set out the details, and the letter in which you say that—?

A. I think it is on file, Colonel.

THE CHAIRMAN: I think it is right in the record. That may not be correct, but—

MR. DREW: I will check that.

Q. This is included in the larger area, is it?

A. Yes. There was an Order-in-Council passed.

Q. What date was that?

A. 14th September, 1937.

Q. Might I see that Order-in-Council?

A. (Produced.)

MR. DREW: I think a copy of this should be an exhibit. It is an Order-in-Council passed on the 14th of September, 1937.

THE CHAIRMAN: That will be Exhibit 38. Is it an Order-in-Council?

MR. DREW: Yes. It is an Order-in-Council—

THE CHAIRMAN: Dated the 14th day of September, 1937, concerning limits held by the Great Lakes Paper Company Limited.

EXHIBIT No. 38:—Filed by Order-in-Council dated 14th, September, 1937 re limits held by Great Lakes Paper Co., Ltd.

MR. DREW: This Order-in-Council, Mr. Heenan, states:

“With a view to the utilization to the fullest extent comparable to forestry methods of the matured timber and to the employment of labour hitherto within the relief ranks, the Government, in pursuance of the Forest Resources Regulation Act, effected an agreement with the Company after it went out of receivership whereby the Company relinquished to the Crown the following of the above mentioned limits:

The Pic
Long Lac
Nagagami”

They speak there of the utilization of this comparable to forestry methods. Have you some recommendation from the foresters that this should be done?

A. There are memorandums, Colonel, with respect to this. They are mixed up in the Great Lakes files and the Nagagami files. Let me read that again and I will tell you what it means because, after all, this is all done after discussions with the foresters. Yes, “with a view to the utilization to the fullest extent comparable to forestry methods of the matured timber and to the employment of labour hitherto within the relief ranks.” That means that in a great many of these areas the pulp company practically had all the timber and there was no way of getting the log timber out because it was under lease. Any agreement that we make of later years we are reserving the right to put other loggers in to cut either sawmill pulps or any other pulps, other than the species that they require in their mill. That is what we have in mind with regard to the improved forestry methods, and in order to enable us to cut for export; at the same time, to take men off relief.

Q. I am not now speaking of all the discussions that took place, but who would be consulted in the Department in regard to a decision of this kind?

A. Well, when we are preparing an Order-in-Council like this, or contemplating an agreement, we have the deputy and we have Mr. Sharp and generally the lawyer. We have to bring the lawyer in there, you know, Colonel.

Q. They are usually somewhere—

THE CHAIRMAN: In the office.

WITNESS: And that is about all we have in. And we have the files, the old files and estimates of the timber and the various species. We have all these on file in the department.

MR. DREW: Q. What I am trying to get clearly in my mind is this, just how you can deal with areas of this kind without some concrete recommendation from some experts in the Department. The Great Lakes Paper Company Limited had a large area. This Order-in-Council recites that “with a view to the utilization

to the fullest extent comparable to forestry methods of the matured timber and to the employment of labour hitherto within the relief ranks, the Government, in pursuance of the Forest Resources Regulation Act, effected an agreement with the company..." Now, it would seem to me that the first step would be to have some concrete recommendation from the experts of the Department; that having regard, as you say here, to forestry methods certain areas now under of the Great Lakes Paper Company Limited should be alienated and be made available to other companies. Now, is there anything of that kind on file?

A. No, I do not think we have those discussions on file, Colonel, or memoranda to that effect. We know what is on the areas. We discuss it with the company. They have their own foresters. They discuss it with them and they bring them with them when they are talking it over with us and we arrive at this conclusion. And we are not far out. Never make a mistake, Colonel.

Q. It seems to me as though a ouija board would be just about as effective in arriving at the result. I am not talking about what the actual results are, but what there is on file. I do not see how anybody could examine that file now and find out just why anything had been done and why it was deemed advisable to withdraw these areas. In that, mark you, I am not saying that the withdrawal of those particular areas may have been wrong or may have been right; I am only saying that as we now examine this file it is apparently almost impossible for someone from outside to come and find out why that was done. Is that not so?

A. Well, you have to go through more than one file to get it. You again have to go back to the history of the whole story. Here was an area that was disposed of by the Crown for a specific purpose or purposes. Those purposes were not carried out. We know what was on each area. You draw the attention of the holders to the fact that they are not carrying out their agreement with the Crown. You sit down to see what can be done. We don't have a memorandum of all those discussions of why it was done. They have their own foresters and their own legal lights; we have ours, and we arrive at a conclusion. And there you have a conclusion where Mr. Carlisle signed a letter to the acting Premier and one to myself that he gave up these areas. Good business.

Q. I do not know, Mr. Heenan. Nothing has resulted from it yet. That is, we have got, it is perfectly true, the Lake Sulphite as one result of it, but in this particular case which we are discussing they have done no cutting. They have paid some dues, that is perfectly true. And also—I do not say this with any unkindness—it did make very good election campaign material as well.

A. Well, you notice in this last election, Colonel, we didn't have any pulp-mills to distribute and we had the same result.

Q. I am afraid that even important though the pulpmills are they were fairly small compared with some of the inducements this time.

Now I would refer to the agreement of the English River Pulp and Paper Company, which arrears on page 132 of the report.

A. Didn't we handle that one time?

THE CHAIRMAN: I didn't hear you.

A. I said didn't we hear that one time, Colonel?

MR. DREW: Q. That came up incidentally in connection with the Lake Sulphite. I can dispose of it in just a few questions. In this case there was an undertaking to build a mill, and, referring to section 1, the company undertook to commence the construction of a logging railroad from the town of Kenora to a point on the English river, on or before the 1st day of January, 1938. Has that been done?

A. No.

Q. Has anything been done?

A. There has been nothing done.

Q. What is that?

A. The only thing the company has done, that I know of, is to spend considerable money in cruising, flying and estimating, but there has been nothing done in connection with this agreement.

Q. They were also to build a mill costing \$5,000,000.00 and they were to build a railroad costing \$2,000,000.00. They have done nothing in connection with the mill costing \$5,000,000.00, so that they are actually in default both in regard to the mill costing \$5,000,000.00 and the railroad costing \$2,000,000.00. They have done no exporting?

A. No.

Q. None at all?

A. You see that blue there, Colonel?

Q. Yes.

A. Away up to the top. You recall when Mr. Cain was giving his evidence he pointed out that there was an area in the Patricia district that had—what do you call it?—been unexplored. I think that is what he called it, the unexplored region. It is away north. The railroad will have to be built up to about 50 miles over rivers and rocks. It is very rough country, a very rocky and out-cropping country, where various species of timber are in clusters, but a very expensive proposition to log. And Mr. Donaldson, who was head of the Gair Company at that time, was looking for timber. We showed him what we had and he said he would undertake to do it. And so we made an agreement. We would give that timber to somebody if we could get somebody to build a railway.

Q. That, of course, was the purpose of the \$2,000,000.00 railway?

A. It will cost more than \$2,000,000.00.

Q. That was a minimum figure. But the railway provided in the agreement is the railway you refer to?

A. Yes. You have to build a railroad. The water is running north, you see, chiefly.

Q. Who was the person with whom you dealt in that case?

A. Mr. Donaldson, the head of the Gair Company.

Q. That is, of New York?

A. Yes.

Q. Had that area been granted to anyone else before?

A. No, you couldn't get anybody in there. The brown one below that one, Colonel, is the English River limit. That was put up for sale in 1915, and there were no bidders on it. It was put up again in 1920 or 1921. Mr. Backus has got that and he has not cut a stick of timber off it. He built his mill. It is a railroad proposition, a very expensive proposition. And so, when we got somebody to offer to go away north of that again, we were very glad to get it. So that we can refresh our minds on that and at least put Mr. Donaldson in the right light, he came to the Prime Minister and myself. Most of the discussions were with me. And he undertook to get certain financial interests to refinance the Lake Sulphite. The Lake Sulphite had gone bad by that time, and he asked us if in the event of him doing that would we forgive him, as it were, for not holding to the development of that Kenora proposition. I willingly said yes.

Q. To release him from that contract?

A. At least release him from building or carrying out the provisions of it. And that is the way the matter stands yet.

Q. The next agreement was an agreement between the Department and the Western Pulp and Paper Company Limited.

A. That one, Colonel, was the same gentleman. That was an area that was disposed of during Mr. Ferguson's days to General McDougal for the purpose of building a pulp and paper mill. It is away up east of Sioux Lookout. And they had not carried out their agreement with the Crown, nor had they paid their fire protection charges to the Government.

Q. The Western Pulp and Paper Company?

A. No.

Q. The other one?

A. The old one. And so McDougal got in touch with Donaldson somehow. I don't know how their interests might have been interlocked, or what the consideration was, but they agreed to build a mill and we made an agreement

with that old concession, except there is this difference; we put an Order-in-Council through to authorize the Minister to sign the agreement. And he signed it. Shortly after that I left for the West on that election tour that you often refer to. And I didn't get the \$50,000.00 deposit, so I didn't deliver the agreement. The agreement is in my office yet, so I don't consider it an agreement.

Q. So in the case of the Western Pulp and Paper Company they have never even paid their deposit?

A. No. Shortly after that, you remember, the bottom dropped out of the pulp and paper business altogether, prices and everything else.

Q. You say Mr. Donaldson was the man in that. In that case, have they paid anything? Have they paid dues?

A. No, they have not paid anything. I don't regard it as an agreement.

Q. Have they been notified of that? Is there any letter? What is the position the Government has taken in writing in connection with that?

A. I don't think I informed him except through his lawyer. I called his lawyer up and told him I wasn't going to give it up and I wouldn't regard it as an agreement. Willoughby is his lawyer.

Q. G. M. Willoughby?

A. But there is an area now, or part of the area left, to cut, and get some investors in, and we will be glad to turn over that agreement.

MR. SPENCE: Has General McDougal got any rights in that area?

A. Yes; some rights but not with the Crown. He has some investments there. That, again, Colonel, I should mention, is one of the problems in connection with that area. The place for that development is really at the head of the lakes because of power and lake transportation. You have to railroad that timber from 100 to 150 miles, and the railroad companies will not come down on their tariffs in order to enable that to be an economic proposition.

MR. DREW: Q. On that point, what study, if any, has been made by the Department of the possibility of using those territories merely by rail transportation?

A. Colonel, I have had them in my office I don't know how many times discussing this matter, both with the Canadian National and the Canadian Pacific. While we regard them as scientific men in figures, I do not regard them as using what we regard as economic sense. Their policy is that if there is some transportation by highway or water that is competing with the railroads they will drop their tariff in order to meet that. If, however, there is no highway or no water transportation in any particular locality, there is their rate and it stays there. In other words, the province or the government or the country has to spend some more money on highways or the creation of waterways by dove-tailing one lake into the other. Is that a good word?

HON. MR. NIXON: Diversion.

WITNESS: Yes, diversion. Put one lake into the other in order to have a chain of lakes or a waterway before the railroad companies will say, "Now, then, we can compete with them." But in my opinion it is absolutely silly. But what are you going to do about it?

MR. DREW: There is one point I have in mind, and of course it is getting into the larger picture. It is that Russia, for instance, has almost limitless forest areas which have never been a serious factor in world competition because there are no rivers by which they can carry logs out; and even under the methods that they employ in building railways they have apparently never been able to make it an economic possibility to bring this out even with slave labour. So that there is evidently a real problem involved in bringing wood out where water is not available. That appears to be so?

A. Oh, well, take all these areas, and I am glad you brought the question up because it is something that somebody will have to deal with sometime. There are large areas of timber in what we call the Hinterland. There is no possibility at all of bringing it out economically, yet we have to protect it from fires. It is unthinkable that we would say, "Well let it go to the dickens, we will never be able to harvest it, let it burn." We have to protect it. And yet when you consult with railroad companies you don't get any encouragement whatever.

I always thought, and I do yet, that a railroad company which gets certain grants from the Crown, by way of land grants and otherwise, should be interested in the development of the country; that they should consider themselves as citizens of this country; that the timber areas belong to the citizens, and therefore to them; that they should be interested in seeing how we could conserve and utilize that timber. But they don't give us a hand at all. And if this Committee can do anything to help out in the situation and bring it to them much more forcibly than I have been able to do, they will do a good job.

Q. Have you any suggestion as to any course that should be followed in that regard?

A. I think a recommendation from this Committee, Colonel, would help. It would start something anyway. It brings it before the public, at least, and I have only been able to discuss it with the freight agents of the companies.

Q. Well, I do not want to labour this point too long, but it does seem to me that in considering this general problem there is a danger that we may look at the map and say that our forest resources are absolutely limitless because we see a huge area covered with forests. I am inclined to think that we must recognize that if rail transportation cannot be made an economic competitive possibility, our forest resources, in so far as world competition is concerned, are for the present fairly well limited to those served by river transportation? At the moment would that not seem to be the case?

A. Yes.

Q. And if that is the case then it would seem that in considering the area

within which any plan must be developed we are to some extent limited for the moment unless there can be a change in rail costs, that we are limited to the areas where the logs can be run out by river. Is that not so?

A. Yes; practically what we call accessible timber.

Q. From the point of view of considering this problem as far as this Committee is concerned, unless the railways can see some way of offering lower rates, we evidently must consider this problem from the point of view of a much smaller area than we have sometimes been inclined to regard as the available forest area in this province. Does that not seem so?

A. Yes. Of course, practically all of our discussions up to date, Colonel, have been on the accessible timber. For instance, that blue which you see on the map, there is probably five times as much of that up there. While we have it called an asset, we never regard it as an asset in our discussion. It is inaccessible timber. But, as you say, unless the railroad comes to reason that that is their timber and that they are going to make some contribution toward the development of that timber, we might just as well forget it. I mean, we might as well forget that we have that.

Q. There is one of these contracts which I have not yet touched. We have not discussed the Vermilion Company.

A. No.

Q. That is on page 140.

A. Probably I had better tell you the story, Colonel. Would that be just as well?

Q. In regard to which?

A. The Vermilion.

Q. Yes.

A. The Vermilion Company, or the Detroit Sulphite Company, which has been purchasing from jobbers and settlers upwards of thirty years and have their mill built in Detroit for the purpose of utilizing Canadian timber, was getting short of timber because the area had been fairly well cut out, and they asked for an area from which to cut for export. I didn't feel that I could give a company an area, especially where they wanted it on the lake front, accessible timber, to cut for export alone. So I suggested to them that they should look for an area from which they would be prepared to build a mill of a small capacity and we would give them the right to export one cord for every three that they used in their mill. By looking over the horizon the only thing that we could see was that timber up around Sioux Lookout. We were just discussing it, and that, again, is west of that.

THE CHAIRMAN: That is the orange coloured part?

A. Yes, and we selected them an area there and they agreed to build a

mill and to pay \$25,000.00 deposit because it is one of those uneconomic things. After they made the agreement they started in to discuss with the railroad companies the freight rates, and they couldn't get anywhere. Then there was the question of power. There was no power. And so they have been talking back and forth as to whether or not they should take that timber down to the head of the lakes, what the cost would be, and so on. The power, as you know, has just been turned into Sioux Lookout less than a year ago. And there is only 2,000 horse power brought down there from a distance of 75 miles. So there is not sufficient power; the freight rates are too high, and they gave it up, as it were. They sold out their entire company to the Great Lakes and a lumberman called Mr. Falinger.

MR. DREW: What is his name?

A. Falinger—he has a big mill at Sioux Lookout. He took an obligation under the agreement to build a mill. The Great Lakes took the southern portion of it in case anything goes wrong with their water works, such as fire or strikes or anything of that character, so they can run out by rail and bring in by rail quickly. So that is the way that stands. No timber has been cut off it. Their overhead has been paid up to date.

There the matter stands. Short of power and too high freight rates.

Q. They, too, are in the same position; It is inaccessible at the moment, is it not?

A. Yes, except that Mr. Falinger is now contemplating building a smaller mill, a ground-wood mill instead of a chemical mill, and using steam from his sawdust.

Q. We then come to the position that, in so far as these various companies are concerned which made contracts in 1937 to build mills, other than the Lake Sulphite, none have built mills?

A. That is right.

Q. In fact, none have taken any steps to build?

A. Well, I would not say that, Colonel. On the face of it, you are right.

Q. I do not mean that they may not have discussed it themselves; I mean as far as the visible evidence is concerned they have taken no steps on the ground to build any mills.

A. Some of them spent considerable money in tests of the various species of timber. For instance, the Marathon Paper Company spent a lot of money on tests of different timbers and the water surrounding there owing to that high grade class in which they are doing a big business in United States. As you know, the Long Lac have spent a lot of money on permanent buildings and boats and things of that description. But visibly you could say, yes, they have done nothing towards the building of a mill. But it takes a lot of preparation.

Q. Yes, but they of course anticipated that in the first place. All of them

had undertaken to build mills within the time limit. I am not questioning the fact that that has been a recurring situation from time to time, but I do not think we can ignore this. You see, there is the General Timber Company, the Pulpwood Supply Company, the Huron Forest Products Company, the Vermilion Lake, the Sioux Pulp Products, the English River Pulp and Paper Company and the Western Pulp and Paper Company. Those companies and the Lake Sulphite all undertook to build mills and to carry out certain work. The only one which did was the Lake Sulphite, with rather disastrous results so far, no matter what may come of it—although we all hope that something will develop out of it. Now, having regard to that experience, and having regard to that situation, and looking to the very disturbed condition of the industry as a whole, have you any suggestion as to any methods which you could recommend that might place this on a more definite basis?

A. You mean this particular one or in the future?

Q. The whole question?

A. Well, as I said, Colonel, it is an easy matter for a man to make suggestions. The gentleman made suggestions here yesterday, if you recall, how everybody else should give their money away. It would be an easy suggestion for me to tell these fellows, at least, to give you evidence how somebody else could spend their money and take risks with it. I am sure you do not want me to theorize, and all that kind of thing. The only thing I can tell you is the position of the Crown and of the Department, and that is, they have made agreements, they made them in good faith, otherwise they would have not put their deposits down. We can cancel those agreements because they have not lived up to them. When we consider the time is ripe that these mills should be built and if they won't do it, to get out of the way and let somebody else in, we can cancel them. The Crown will have lost nothing. I think we have gathered in upwards of \$1,000,000.00 from these various companies in their deposits, their ground rent and fire protection charges. We will be just that much ahead, and we still have the timber.

Now, I have thought and talked it over many times with my deputy as to the advisability of doing something else, to cancel these areas and advertise to the world that we have large areas in Ontario for lease or rent or sale, along the lines on which they have been doing business, to see if we could get anybody else to come in. I do not know whether that is a good thing to do or not, Colonel, but we can do that.

Q. I have in mind that we have had more than one operator say here that he was anxious to get some area on which he could cut logs, not build a mill but just to cut logs, and that he has been confronted with difficulties in doing it. We have had the statement made that all the available areas are alienated one way or another to various companies or individuals.

A. That does not hold him back.

Q. Well, we have had a statement to that effect.

A. They have come before you as they come before me almost weekly,

and they say the same thing, but when you ask them where they want to go, they all want to go in one place, always want to go to the most accessible wood which is conceded to a company. And we are trying to hold that down. While we are trying to provide some employment, we do not want them to go in and massacre a whole concession that should be left there for the industry. I have said to them time and time again, Colonel,—and I didn't interrupt them the other day when they were speaking here, because I didn't think I should—"Why don't you go out a little further and pick yourself a piece of timber out there, no matter whose concession it is, and we will give you the right to cut there for export." But they do not want to do that; it costs them too much to rail.

We have said to sawmills—for instance, I have said to Mr. Johnson on more than one occasion, who put up a very good argument, that we are not bound to hold that timber out of operation, the logged timber, but if we can save the logged timber in quantities in any one of these areas we are prepared to make a deal with somebody to start a sawmill. We are in that position to-day. We are continually, Colonel, adding species of timber to the concession areas or to those who have licenses. It is almost a weekly occurrence, or a monthly occurrence, at any rate. A man has the right to cut a certain species of timber according to his concession, and he finds he has a market for something else—poplar or ties—or he finds he can cut some log timber in addition to what he had the right to cut. We invariably add that to him as he finds in his cutting operations it is there, and we give him the right to cut it; add it to his concession.

We are not so far behind, you know, in our forestry methods as some people would have you believe. You will read in the newspapers every once in a while that unless Ontario, Quebec or Canada wakes up something disastrous is going to happen. Anybody could say that over the radio or write it in the newspapers. But why don't they tell us what to do with it? What we want, and I come back to the same statement I made to you once before, is markets. We can find all these species of timber and we can sell them. We are in a position to sell them. It is markets that we want. If some of these people would go out and get markets in which to sell our products we will supply the timber.

MR. SPENCE: Just recently, within the last few days, the Province of Quebec sold 65,000,000 feet of lumber to France. There seems to be a demand.

A. They have the advantage of being on the seaboard. They can cut their logs and the rail haul is a very short distance to the seaboard to be able to put it on the ocean.

Q. For the information of the Committee, I was trying to find out if the Province of Quebec was doing anything that we were not doing, or are they in a better position to sell this lumber?

A. You have to recognize that we are in this position in Ontario—I don't like to say it, but we are between the devil and the deep blue sea. Both ends of this country get consideration more than we do. There the Maritimes Freight Rates Act, the subvention on coal to bring it into central Canada; there is a special freight rate on timber from the Pacific Coast, and we are left here squeezed in between both.

Q. The point struck me when I heard this just the other night that some of our mills might find an opportunity to sell their timber, like the one Mr. Johnson was speaking of in Fort William. There is an urgent need of timber now by the British Empire and by France due to the situation in the Scandinavian countries. That timber now cannot be obtained by France or Great Britain. Could we not in the Province of Ontario also help to serve that need if our mills are in a position to supply it?

A. Well, all we can do as a government is to supply the timber.

Q. Yes?

A. We cannot cut the timber and we cannot sell it, as a government. It requires the operator to cut the timber and according to the specifications required in the old countries, which are very minute. I have heard it said, in fact I heard Mr. George Nicholson say it on the floor of the House of Commons one time, that it was out of the question. He was speaking on the 1932 agreements, the Empire agreements. He was speaking on those agreements and I heard it said—it is on record to-day—that it is out of the question for those operators in Ontario to meet that situation. And he was an operator, you know. He was in Chapleau for a long time. He said we had not the machinery to cut to the proper precision that was required by the English market. If we had then we would have the disadvantage because of the freight rates to the sea coast.

MR. SPENCE: But the Department is ready at any time to assist any operator who can find a market?

A. We are prepared to sit down and negotiate an agreement with anybody that can find a market for whatever species of timber he requires.

Q. There is a considerable demand, not only a demand but an urgent need. I do not know whether Mr. Johnson has had an opportunity to sell large quantities of timber over there, lumber particularly.

A. The more he sells the more we will give him to cut.

MR. E. E. JOHNSON: May I make a statement?

THE CHAIRMAN: Certainly.

MR. E. E. JOHNSON: It is my opinion that in connection with timber, railway ties, and lumber the present markets of the world in lumber will very easily absorb the 300,000,000 feet which the Province of Ontario has. I think if there were some waterway improvements and some major developments put in we could get the kind of contract required.

MR. SPENCE: That is the point.

THE CHAIRMAN: I think this would be a good time to adjourn. The Secretary advises me that Mr. Vining will be here to-morrow to give evidence; also Mr. DeWolfe, and on Thursday Mr. Clarkson will appear before the Committee. We will go on this afternoon at 2.30.

At 12.50 p.m., the Committee adjourned until 2.30 p.m.

AFTERNOON SESSION

TORONTO, ONTARIO, APRIL 23, 1940

THE CHAIRMAN: The Committee will please come to order.

HONOURABLE PETER HEENAN, recalled.

MR. DREW: Mr. Heenan, I want to follow, for a while, something which we perhaps have not discussed as much as we might have in some ways, but which seems to me is tremendously important, and that is the question of prorating, which has been mentioned briefly, because any solution of the immediate problem would appear to depend on a real understanding of what is actually going on. While I recognize that there may be some aspects of it which have necessarily in the past been considered as better discussed behind closed doors, I am inclined to think that the time has come when public confidence here and outside will be best served by a real knowledge of what has actually been taking place. As a matter of record I would like to have your story of the steps which have led up to the present situation. What I have in mind is this: I have indicated that I desire to call as witnesses the presidents of some of the five largest companies who will be able to speak about the general situation and in asking for an explanation of what has taken place I do so with the thought that it will not only assist this Committee, perhaps, in reaching some conclusions, but would undoubtedly assist the Government in letting the public understand what has been taking place.

Now, I think there has been a great deal of mystery about it and I believe it will help very much if, instead of just mentioning prorating as a general thing which has been done, you could outline in definite form the steps of what led up to this prorating and what has actually been accomplished and what the present situation is.

THE WITNESS: Well, Colonel, I think that probably there was never a more prudent time to disclose the whole situation so that the public might know what we are aiming at or what we are trying to do.

I agree with you to this extent, that it may have been that we have been doing too much negotiating without taking the public into our confidence. There were many reasons for that, but I think the time has gone by and this is the time, now, to tell the public what we are doing, why we are doing it and, of course, what steps we have taken.

It is a long story and I do not want you to hold me to dates. During the last war the price of newsprint went up to around \$110 or \$120 a ton; over \$100 a ton. Apparently there was so much profit in it that there were a lot of companies went in to build more mills and they were encouraged by the provinces as well, naturally, thinking there was no end to the market.

So, there were areas set aside in Quebec, Ontario, Newfoundland, on the Pacific Coast, Nova Scotia and other places for the purpose of building mills to supply the markets and get those large profits.

That went on for a considerable time after the war, and in fact I think it was after the last war that the prices went higher because of the demand for newsprint. Then all at once the demand for newsprint ceased,—that is to say, lessened. The advertising in the United States, which is our chief market, fell off and less demand for newsprint existed. Of course, together with the fact that the American publisher had it in mind that the Canadian manufacturers took advantage of him when they caught him short, they then set about figuring out how they could get back at the Canadian manufacturer. They had a scheme of contracts which were what were regarded as interlocking contracts, which automatically cut down the price of newsprint from the price of around about \$75 a ton, when that started, to less than \$40 a ton.

The contracts were of this character. The publisher in any given territory would make a contract, say, with a Canadian mill to furnish so many tons a year for so many years at whatever price prevailed at that time, whether it be \$60, \$50 or \$75, but there was a clause in it to the effect that if anyone else in that particular territory got their newsprint at less than that price, then theirs automatically came down. So, with that kind of a set-up, the mills which were running short went out to cut prices, and that automatically cut the other man's price down and so it just spiralled right down from 1926 at \$75 a ton to less than \$40 a ton; less than it had been for thirty years. That resulted in our mills going into receivership, bankruptcy, many of them could not pay their timber dues and none of them paying dividends, of course. There were discussions amongst them about reducing the wages of the men in the bush and so on.

Around about 1928 it was brought to Mr. Ferguson's and Mr. Taschereau's attention as to what these mills were doing. It was represented to them that inasmuch as they were using the natural resources of the province, they ought to take a hand in it. So they met and arrived at a gentleman's agreement together with the industries themselves, that they would cease this price-cutting and that they would put some business ethics into the newsprint business. Of course they all promised that they were going to be good boys and not steal any more contracts from any other companies and so on and so forth, but price-cutting still persisted.

Then it was brought out in a conference in Chambers after we came into office that one accused the other of doing all kinds of unethical things: instead of giving remissions or rebates, or instead of making the rebates at a less price than the other manufacturers, they had other means of giving rebates in a different way. But they accused each other in the chamber and it was not brought out an investigation. This went on and we called them in and asked them to be good boys and do business in a businesslike way so they could pay their workmen proper wages, pay their dues and get out of receivership.

No matter what they promised they still violated all the gentlemen's agreements that ever existed,—and persisted in it.

It was then about 1935 or 1936 that Ontario started to suffer more than it had before, for the reason that there were mills in Quebec which went out, cut the rates again and it was at that stage that the National Trust Company which was then operating the Great Lakes Mill in receivership came to me and pointed out that it had to close the doors and shutters on its mill.

They pointed out that a Quebec mill,—you do not want me to mention the names of the companies, I do not think,—had actually gone over to Detroit and cut prices still lower and stole the contract from the Great Lakes Mill and did not leave them sufficient tonnage in order to keep their mill going.

So I met with Mr. Taschereau in regard to the matter. He agreed that this was unethical, that it was not according to agreement and that he was going to make this company come to time and give back this tonnage. But, he later had to communicate with me to tell me that his wish was to do the right thing but that he had no power to make this company to do other than what it was doing. They had promised him they would do it, but they had reconsidered their position.

The result of that was that the industry met in Montreal and in order to keep this Ontario company alive they actually passed the hat. "We will give up 3,000 tons and this other company 5,000 tons and so forth and so forth and get sufficient to keep the Great Lakes Mill open." It is strange to say that the company which actually stole the tonnage did not throw a ton into the hat.

It was then decided that if the government,—and they were not talking about prorating then, but it was the question of the division of tonnage and that sort of thing,—were going to have any interest in this, in order to spread labour and in order to keep them from further cutting and further cutting and getting themselves into a mire from which they would never get out, that we had to take legislation sufficiently to compel them to prorate, and they began to call it prorating.

The Quebec Government passed legislation. It may not be as drastic as ours,—but I think it is,—and I told Mr. Taschereau that I did not think we needed it in Ontario at that time for the reason that the Quebec companies seemed to be the greatest sinners. I thought all I had to do was discuss the matter with the heads of our industries in Ontario and they would do the right thing.

So I tried that and it went on just as bad as ever. Then we took that legislation which you do not like, Colonel, or at least you did not like it, although I think you are beginning to like it better now.

MR. DREW: No, I am afraid not.

THE WITNESS: Well, you will like it before the reply is finished. I want to tell you that my colleagues and myself hated to put that legislation into effect because it was drastic. It seemed to interfere with vested rights and to interfere in business, but we could not see any other way out of it.

I might tell you that the industry was consulted. I got my department to draft a bill much more drastic than this one. I consulted them and they took it away to their lawyers. That bill,—that Act,—as you have it now, is drafted in accordance with the industries themselves and their lawyers. They said they could not behave towards one or the other nor trust one another and that the Government would have to take means to penalize the company which would not do business.

It is a long story and I hope you will bear with me because there are so many different angles to it. Two companies in Ontario have not been behaving themselves. They have not been prorating. Whether or not prorating is right or wrong is a different question. We have two companies, the M. & O. and the Great Lakes,—there is the Beaver Company as well, but it is a small company and for this purpose could hardly be considered. It is only a 25,000 mill. They realize we are prorating now and as a result of that prorating I think that it is fair. They have had an advancement in prices because no one was going out and underselling the other fellow. They are taking advantage of the increased prices but they are not contributing any tonnage. In other words, they belong to a union without paying their dues. They are taking all the cream and benefits, but not contributing anything towards it, and it is because of that which is now making the Quebec companies say, "Well, Ontario will not make its mills live up to the law and why should we?" So we find the Quebec company going off the deep end once in a while and when it is brought to task by the Provincial government it is said, "Well, look what they are allowing them to do in Ontario." So just at this moment the situation is reversed and those in Ontario are the bad boys now.

Then, you meet with this situation: We call the Great Lakes Paper Company to the office and talk the matter over with them. We ask them why they are not living up to the proposition of prorating and they have an argument which is pretty hard to overcome: We came out of receivership under a special scheme of things with certain contracts,—and I am not quite sure, but say thirty contracts. Thirty publishers did not put any money into the Great Lakes, but they guaranteed their tonnage for ten years. That tonnage amounted to a certain amount but it was never disclosed before the Court.

In connection with those contracts there was what you call a dividend of \$2.00 a ton. When the Company was able to pay dividends they got this free stuff and got \$2.00 a ton without investing any money, so it was \$2.00 rebate. Instead of giving secret rebates they were doing it in a more scientific way; above the table.

We opposed that. The Government opposed that in the courts. Notwithstanding that, the first court allowed them to come out of receivership with that. It was appealed and the appellate judge,—I do not know whether that is the correct name, but at least the second court it went to,—did not want to upset the ruling of the first court, but referred it back to the first court to give further consideration to other angles which apparently had not been considered.

I took it for granted that they made up their minds that they were not going to get it through, so they came to the Government,—something which I thought they should have done in the first instance,—to see if they could not compromise in some way. They had an arrangement made. The price of newsprint at that time was \$40.00 a ton. They had an arrangement made with these publishers that if they did not get the endorsement of the court by a certain date that they would supply them with newsprint, notwithstanding that, at \$39.00 a ton for ten years. So, instead of us going up in price we were going to revert back to a lower price which would affect it in this way, that a one-hundred thousand mill was going to affect three million tons in Canada.

They agreed they would not pay dividends until the market price of news-print reached \$45.30 a ton and not until then if the effect of the paying of this dividend would reduce the market price. There were other agreements also, but that was the chief one.

Mr. Thompson, representing the companies, gave us a letter supplementing that which agreed to work in harmony with the industry and the government. There was no question about what was intended at that time. With that we withdrew our opposition and the court let it go through without an amendment. Those contracts were never placed on the table before the courts. The lawyers representing the company said it was not fair to ask that their contracts be put on the table and made public so that all their competitors could see what they were doing. The judge agreed with that. Everything seemed to be fair and above board and we allowed it to go through.

Then the company came out of receivership, as stated, and there was a president appointed. He then started to interpret his rights, naturally, in the interests of his own company. He did not know anything about this letter undertaking to work hand-in-hand with the rest of the industry and the government. It had never been disclosed to him. He was not obligated to it and all he knew was that these contracts were endorsed by the court.

Then when we started to examine the contracts we got a little hotter under the collar and we found that there was the right to extend not only the tonnage that they obligated themselves to take at that time, but any expansion of tonnage. Fifty-one per cent. of those publishers could take another one in under this dividend-sharing basis. So we were met with this argument. "These things went through the courts. We paid about \$10,000,000 because we cut our bonded indebtedness down \$10,000,000; we paid for these arrangements and you are going to ask us, Mr. Minister, to share this tonnage with somebody else." So, it is a pretty hard argument to overcome.

Great Lakes are not in it. The M. & O., as you know, has a mill in Kenora.

MR. DREW: Is Great Lakes observing the proration limitation to-day?

THE WITNESS: No, sir, and I will come to that in my explanation.

The M. & O. has a mill at Kenora and another one one hundred miles across at Fort Francis and just across the bridge at International Falls it has a mill on the American side.

They have taken the position right along that they come under the American laws, that they are an American company in receivership operating under the courts of the United States. They are operating lately at a higher tonnage than they should and this is their argument: "You can tell us how much tonnage we should manufacture in Canada, or in Ontario, but you cannot tell us what to do with that tonnage. This is a contract which we hold with the publishers and if you will not allow us to manufacture it in Ontario, we will take it across and manufacture it on our machines in the United States. We prefer to operate in Ontario, and give you that much work, however." Frankly they admit they can operate cheaper in Canada but rather than give up their tonnage, they say,

"We will go over, across the bridge and run at full, if you insist that we can only run the Ontario mill at so full." So they have apparently got us at a disadvantage there. The industry, with the sanction of the Quebec government, agreed with respect to machines which they left idle over here,—say of 50,000 tons a year, for instance,—that they would allow that on the proration on top of their allotment for proration in Ontario. A similar situation exists in Quebec.

Even at that, with added tonnage in Ontario running over and above their proration arrangement, I think since 1928 when we really put this into effect, telling them that we meant it and that we were going to apply the penalties, from 1928 to date, they have about 25,000 tons over and above their average. Great Lakes has about the same. There is a difference of a few thousand tons; twenty-five thousand tons apiece; somewhere about that.

HON. MR. NIXON: Per year?

THE WITNESS: No, since 1928.

THE CHAIRMAN: Altogether.

THE WITNESS: Altogether. Then, the M. & O. says, "We are an American company and we have agreements with publishers. We are not taking any extra publishers or making any new contracts. This increased business is with our own publishers; no new ones; and so we are entitled to that business," and in a veiled way try to tell us what might happen in the United States if we go into it any further than what we are doing. They give us 3,000 tons to-morrow, 4,000 tons to-day,—or vice versa,—and so on and so forth. In the last few months they have been keeping fairly even with the average of the industry, but since 1928 they have gotten away with about 25,000 tons.

Reverting back, again, to the question of the Great Lakes: The president at one time, notwithstanding all the discussions we have had and all the promises made, went out and took extra tonnage away from another company at a cut-rate price; \$2 a ton less and \$2 a ton dividend, which was \$4 a ton less to that particular company. I think they would have been going on with it yet had it not been for the fact that I was sick one week and I took these contracts to bed with me. I ran up against something there and I asked a question,—the same as yourself, Colonel,—and the question brought out the fact of this contract being made. None of the industry knew anything about it. The publisher who made the contract was actually sitting on the Board of Directors of the Great Lakes and neither the directors nor the publishers in the whole scheme of things knew anything about it.

There happened to be a provision in that contract where it ran from year to year; like, say, a five or a ten-year contract was subject to cancellation at the end of each year. Why they put it in, I do not know unless it was for fear that it would be discovered. So, at the end of the year, after Mr. Rowe came in I got him to cancel the contracts and get them renewed under the proper conditions.

That is a long way around the story, but because of these things going on it encourages others to say, "Well, look what Great Lakes are allowed to do;

look what the M. & O. are allowed to do; we will take a chance." So, proration is either right or wrong to-day; it is in the balance as to whether or not it is going to be maintained.

There are many purposes of it, but I think there is a significant aspect to the whole situation in connection with proration. We establish these towns and the mills in these towns. The people live there and they are depending on it. If they are closed up, why, the Government has to keep them on relief. We figured that by prorating the tonnage available amongst the mills, it would serve two purposes: It would stop this cut-throat price-cutting and would distribute the labour amongst the labour employed in that kind of industry.

As Mr. Clarkson said the other day, that is the question and as I have said here before, sometimes a fellow gets kind of hot under the collar,—as you have witnessed, sometimes,—and it actually gives you a headache, because when you find men agreeing together to do certain things and they go out and take the opposite course time after time and the Prime Minister, the Minister or the Government has to draw them into line and coax them and threaten them, and all that sort of thing, it gives you a headache, because they themselves say it is to their benefit. I think the industries will say it is to the benefit of the whole and yet you will find some of them trying to upset the scheme of things which they say are of benefit to them. Time after time I have thought of going before my colleagues and asking that the Quebec government abolish the whole thing, that we keep our hands off and let them go at it again in any way they think best. But in my sober moments I reflect what would happen and as Mr. Clarkson said on Friday, the whole bottom would shoot out of the works in the newsprint industry in Canada if they were allowed to go free.

While we have not one hundred per cent co-operation and effectiveness in the proration of tonnage, I think we have made pretty good strides up to the present moment.

We were talking here the other day, I think it was yesterday that you asked a question about why wouldn't a general sales organization the same as they have in the Scandinavian countries be a good thing? That is to the same effect. They have a general organization goes out and looks for business in every quarter of the world; they won't quote prices, they just say "We want your business," and they will get that business no matter what the price. They have for instance a standing offer for delivery in New York at \$7.50 a ton less than the Canadian price; no matter what price we have they are \$7.50 less. So they get those orders and go back, and they don't watch areas, they go back and divide that up amongst their mills in the Scandinavian countries. I was thinking, if you ask my opinion, I don't know whether you want that at all or not, that we will have to go a step further with regard to that, to have some kind of organization of a central character that will go out and secure the business and let us then devise some scheme or method where we can meet the price in order to compete in world markets.

Maybe I had now better say something about our own particular affairs in connection with that: I have tried in every way conceivable to do Ontario's share so there will be no complaint from the sister province. I have got the mills to agree that they will do certain things. For instance, I had a letter from

Mr. Rowe, President of the Great Lakes undertaking, that he will do certain things and he won't do certain things, he won't take any more contracts. I have got the M. & O. to give up tonnage now and again but not sufficient. I went as far as to have my colleagues pass an Order-in-Council fining those two companies a large amount of money because they were not living up to proration; they promised that they would do it, and then I introduced another Order-in-Council and my colleagues passed it, to repeal it because it had served its purpose.

MR. DREW: Q. Had served its purpose in what way?

A. I got these people to agree that they were going to do the right thing. Then after this was repealed they went out and again got off the deep end. So that I am in this position now that I don't propose without further consultation with the two premiers and a fair understanding with the two governments how far they propose to go, I don't propose to make a fool of myself and ask my colleagues to make fools of themselves by passing Orders-in-Council every week or so and then repealing them without them having some effect. So that I am waiting now for the opportunity to get the two governments together.

I think I have told you the whole story now.

Q. Well, then the Forest Resources Regulation Act of 1936 was in fact intended merely as a means of enforcing the terms of the verbal agreement which had been reached between the Province of Quebec and the Province of Ontario?

A. Yes.

Q. The Province of Quebec having passed an Act the year before. In the Forest Resources Regulation Act though there is a provision that is different than any regulation in the Quebec Act and that is the provision which empowers the Department to take away any areas and if necessary transfer them to someone else or hold them under the Crown?

A. Yes. That is an additional feature.

Q. That feature doesn't appear in the Quebec Act. Was there any special reason for the introduction of that feature in the Ontario Act of 1936?

A. Yes. Let us not confuse the two questions, Colonel: Part of the 1936 Forest Resources Regulation Act was for the purpose of enforcing the public interests in the proration of tonnage and so on. There was no necessity for that in Quebec, at least they didn't think there was. I wanted that for the purpose of reallocating the timber areas. Again we have got to go back to the point where there were some companies had far more areas than they required and they were not in proper watersheds. Some of those companies were in receivership and they claimed that they couldn't agree with anything. They agreed that the area should be reallocated, that they would be better this way and that way and the other way than the way they were. So in order to do it according to law we took power to reallocate these areas, take this one and leave it in its proper watershed and cut off another piece in their own watershed if required or if necessary. That is the other feature of that Act.

As I said before, Colonel, we might have done it another way: We might have said, "You have made an agreement with the Crown and we are just going to cancel." But I thought it was better to do it this way, and it has worked out, shall I say eminently satisfactorily, a very good word? Because it is being done by sitting down and discussing the matters with the companies and at the present time there are no complaints from it.

Q. Well, at the moment then the whole situation is one that there is this rather loose arrangement by which there is supposed to be a general averaging of production based on an effective capacity and these are merely levers to put that into effect. How is that actually worked out? How is the production and the checking of that handled?

A. Well, the industries themselves, and you mustn't forget that the industry is the spearhead of all this, the Government has just kind of gone along with them, that they have agreed with what the majority of the industry thought was best for the industry, they engaged a firm of engineers which seemed to be satisfactory to the industry at large to make an examination of all the plants and to report as to the effective production capacity of each particular plant of each particular company. For instance we will take the Great Lakes Paper Company, 115,000 tons; well if the market will provide say fifty percent of 115,000 tons they get that. Of course the larger companies they have more mills and each company is allowed to operate at whatever might be fifty percent of their productive capacity. That is how that was arrived at. The engineers' report was sent out to each company and there was no complaint about capacity allowance, neither is there any to-day in regard to the engineers' report; the only thing to-day, that one company thinks they shouldn't be put down the same as the other companies for some special reason.

Q. Well, then where do you get that report from—just as a matter of the practical method of working it out? Who handles the actual detail of that?

A. Well, there is an organization with headquarters in Montreal; that is the one that Mr. Farlinger is the head of now. There was at one time a Mr. Howard and Mr. Kellog and the present Minister of Finance, Mr. Ralston, and Charlie Vining—Mr. Ralston of course is not associated with him now—they gather the statistics from all these companies, they have the entree into all these companies' books, and report to him regularly as to their production and shipments, and they report to the Provincial Governments in Ontario and Quebec and send out these reports to the industry at large and then to the Provincial Governments, drawing our attention to the fact that this company is low and the other one high, and what are we going to do about it?

HON. MR. NIXON: Q. New Brunswick is not in on this at all?

A. No.

I don't think it would do any harm to say this, Colonel, what I really thought, that if the two major provinces got this scheme working out properly where they would be enabled to sell and produce at a reasonable price, that once we got the two major provinces working that all the other provinces, such as British Columbia and Nova Scotia, would fall in line and it would be a Canadian enter-

prise working in the interests of Canada, and with an organization such as that I don't think it is very hard to visualize but what the future would be bright enough that we could compete with any place else in the world. But when we speak, as I often do when I get a chance to meet somebody from the other provinces who is connected with the Government, they generally give you the horse laugh and say, "Why, Peter, you can't agree even between yourselves," and so a mill here and a mill there going off the deep end and not playing ball is keeping back that greater aspect of the situation, the whole scheme of national effect rather than just the two provinces.

MR. DREW: Q. Isn't it so that an application was made to the Dominion Government some years ago with the idea of having this whole subject controlled by the Dominion Government?

A. My understanding was that the industries from Quebec and Ontario, at least some of them, approached Mr. Bennett and asked him, if they made a request—they hadn't made the request—if they made a request could he put it under—I believe it was the Marketing law? And he said if he got a request—this is all hearsay, you know, I don't think it ever appeared in the newspapers, this is what they told me—if you get your Provincial Governments to make that request I will consider it very favourably, but not otherwise. I don't think there was ever any direct application made, I think it was more of a round table conference as to what he might do if they made such a request.

Q. Well, does it seem at all possible that any system of prorating can be worked out if there are special considerations given to one company as against another?

A. Well, if there is any one or two companies that have got a special situation that has to be given consideration, when all the other corporations agree that this is fair and reasonable and it is known and let it go at that there is no harm in that, for the reason that the proration tonnage that is exempt is not so very great that it would hurt the whole; but it hurts the whole in this way, that each one of the other fellows takes that as an excuse, "If that fellow is going to get away with it why I will take a chance and I will get away with it—might get away with it anyway." So if there was some special consideration given—and I have to admit, you know, that there is some special consideration coming to a company like the Great Lakes; no matter what position we did take they did come out of receivership with those contracts endorsed by the court; those contracts give them more than proration at that time—so they have a valid argument legally and they did get their bondholders to give I think about ten million dollars in value of bonds, reduce their capitalization, so there is something to be said for them. But, Colonel, the tonnage that is involved for instance in that one particular plant is so small that it didn't need to affect the whole, but, as I say, it aggravates, it gives the other fellow a chance to say, "Look what those fellows are getting away with" without delving into the facts to see why they are getting away with it. I have suggested this many times to the industry and to Mr. Rowe, "Why don't we sit down and get these contracts that you say were endorsed by the courts, and you agree that you can fill those contracts at all times, and that you won't take any more tonnage until such time as you have an average with the industry?" Well, I think that is probably what we will have to do, something along those lines.

MR. DREW: Q. Well, in the case, for, instance, of proration in the United States in oil, they have a system there that would seem to have some similarity to this situation; they have created a board which actually operates proration, and then the States in which the oil is produced have this method, they have passed enabling legislation which gives power to that board to enforce its orders on the people producing oil. Do you see any practical reason why something of the same kind cannot be done there?

A. No. I think that something like that should be done, except that some of those proration policies in the United States go a little further than we do, they even set prices, have a price set-up. We have never set a price and said, "This is the price of the product and you may not sell below it," as a Government we have never run into that yet. Mind you, a proration policy might have the same effect, if it will stop a man cutting prices it may have the same effect. In my opinion there should be some board apart from the Minister or the Government to handle this proration with some kind of penalty, that it would not be left to a political organization such as a Government or a Minister to say whether they would or would not inflict that penalty.

MR. OLIVER: Q. Has there ever been a penalty imposed and collected?

A. Well, we have never collected it. We have put on an Order-in-Council to penalize but after they promised to do the right thing why we withdrew that.

HON. MR. NIXON: Q. Did Quebec ever collect any penalties or impose penalties?

A. No. Just the same as we have. They just did tell the other fellow what they could to.

MR. OLIVER: Q. Does British Columbia have proration?

A. British Columbia has come into this proration policy voluntarily. The interests tell me they live up to it very strictly because they realize it is for the benefit of the whole. They are not in it in the way that Ontario and Quebec are, they have come into it in a voluntary way.

MR. OLIVER: Themselves,

MR. DREW: Q. Well then, you do agree that it would be desirable to have some organization set up with independent powers?

A. Yes.

Q. Something in the nature either of a commission or a board with power to operate?

A. I do.

Q. And control the industry?

A. That is if we are going to keep on prorating, and in my opinion you have proration with you as long as we are alive.

Q. Yes. Now, Mr. Heenan, getting back to a suggestion that I put in the form of a question earlier in the inquiry, if it would be desirable that some such board or commission should operate to control the output of mills wouldn't it be desirable if some such board of commission were created with power to control the use of the forests themselves?

A. Well, now, that is a different thing altogether, Colonel.

Q. I don't see how. I mean I am only trying to get this clear. You agree that it is wise to have this control exercised over the output of the mills and yet that output of the mills is necessarily tied to the output or the use of the forests?

A. Well you see you can take say two or three or five men that you would appoint to a board to administer the output.

Q. Yes?

A. Men of course with knowledge of the newsprint business. Let us suppose there are three. Well they would have a general knowledge of business the world over and what the output should be and what the price probably should be. They wouldn't have a system of forestry and forest protection on their side as we have in the government circles. You see they are two different things altogether, regarding the cutting of the forests and the different species of timber, the areas of land that are required to supply a mill and that description, it is just as different as night and day.

Q. Well, in this particular situation that has arisen now you are finding difficulty in prorating because some of the companies are companies incorporated in the United States or directed from the United States and others are Canadian companies. It seems to me that that gets back beyond the actual operation of the mill and gets down to the very way in which the forest resources are going to be handled, because if the fact that a mill has been put up by a company from outside of Canada, if that is going to change the relationship of the company to any prorating policy of this kind, then you are going to defeat the purpose of setting a prorating method unless you control the original system of permitting the use of the forests, aren't you?

A. Well, I would imagine, again, that the penalties would be different, Colonel. I haven't given that very much consideration, but I would imagine that if there was a commission appointed to regulate proration they would have power, some kind of financial penalty, a fine of some description different from the foresting altogether.

HON. MR. NIXON: Q. And it would have to be interprovincial in its work?

A. Oh yes, it would have to be interprovincial; there would have to be an agreement between the two provinces with legislation in each province.

Q. Or several provinces?

A. Yes. I can't see it at all, Colonel, how you can get away from government responsibility in connection with the forest wealth.

HON. MR. NIXON: It is a direct asset of the Crown in one province.

MR. DREW: Q. I can see it governed perhaps by an interprovincial commission but I am getting along to a thing that it seems to me the two are tied together very closely and I want to see if we can separate them in some way?

A. Of course, don't gather from what I said in connection with the M. & O. that it is impossible,—it is possible, notwithstanding the fact that they are an Ontario Company and operating under receivership of American courts—that we cannot make them live up to the law, but by doing so if they want to fight back they can take the tonnage from Ontario across the bridge into an American mill and of course we have nothing to say in regard to that.

THE CHAIRMAN: Q. And the situation would be the same as if it were an American company owning a mill in the United States?

A. Yes. We have been doing it by trying to coax them, rather than otherwise.

MR. DREW: Q. In view of the fact that there is to be a conference shortly, as you have explained, possibly that angle of it could be left, because I understand from what you say that you are actually going to discuss some way of trying to work this out as between the two provinces?

A. Yes. And of course, Colonel, you weren't present on the 12th March when we had the larger conference where we separated as it were the newsprint from the loggers and the sawmill men and so on; I asked the newsprint men to consider if they wanted the Government to still keep on the proration and to what extent, I wanted them to tell us—after all it is their money, it is their business—and they have not reported yet except what you heard Mr. Clarkson say here the other day, he said it would be suicide, I think he said, if we took our hands off proration now, and I think that will be the voice of ninety-five percent of the industry both in Quebec and in Ontario, but they will say "Enforce it!"; that is to say, "Whip these companies into line."

Q. Yes. Mr. Clarkson also said it would have a very serious effect if you permitted any of these other companies to go ahead building mills for which there are existing contracts?

A. Oh, yes.

Q. I am getting back to the point that there seems to be a pretty close tie-up between the two things, because whether Mr. Clarkson's argument was right or whether it was wrong the fact remains that he in his mind tied the two things together, the right of these companies to proceed to build mills, and he was quite obviously tying that in with the situation regarding the problem of the other mills. That was obviously so, was it not?

A. No, I didn't get him that way. I think he was offering a little advice,

in this way: Mr. Clarkson is a very well informed man and I don't think he was linking up the pulpmills with the newsprint mills. There is no question about newsprint mills, that I would say it would be foolish for either Quebec or Ontario or any other province to build an additional newsprint mill with the conditions as they are now, I believe that is accepted all over, but he said, in relation to these mills that we have in agreements, that we have been discussing this morning, that his advice to the Government would be to withhold our hands and not force those companies to build these mills until we saw what effect this world catastrophe we have would have on the whole situation. So he wasn't linking them both together. In that way I disagree with him because of the fact that he was sitting here and there was a market for that product undoubtedly and southern pine and other places are going into its production, and I don't see why any person should say we should stop here and wait to see what they are going to do about it.

Q. Then that is something that he can express an opinion on himself as he is coming back here. I will pass from that now unless there is something further you want to say on that subject of proration, because I have no doubt the representatives of the companies themselves will discuss that. I may say in asking these questions about it I am putting it on record that I look upon this whole question of proration and the control of the companies in that way as the most important single consideration that we have —?

A. It is.

Q. — in regard to the province, because it is vital to perhaps survival of the industry as to how their production is controlled, whether by proration or otherwise?

A. Yes. And there is so much money invested in it. It is the biggest question we have.

Q. Of course there is one thing to be borne in mind, that is that the history of proration in most other products has not been uniformly successful; in the case of rubber and coffee and other commodities such as that it turned out to be a complete failure and there are certainly two points of view as to the wisdom of this and that is one reason I would like to get any information I can as to what the course is. We will pass from that particular point in view of the fact that that is coming up for discussion, but there is another point I would like to have your opinion on because it is something I think should be considered by this committee:

At the present time there are seven Acts which affect the forest resources in one way or another. In addition to the Forest Resources Regulation Act that we have been discussing so much, there is the Crown Timber Act and the Cullers Act, the Forestry Act, the Provincial Foresters Act, the Pulpwood Conservation Act, the Pulpwood Protection Act, the Forest Fires Prevention Act, the Lakes and Rivers Improvement Act. Those Acts all relate to the control of our forest resources and the use of those forest resources in one way and another. Would it not be of great assistance to have those Acts all consolidated?

A. Well, of course there would have to be the same reading, Colonel, no matter how many books they would be in.

Q. Oh yes, that is so, but it always simplifies things to have them together?

A. Yes, quite so.

Q. I am merely asking for your opinion as to whether it would be a satisfactory thing?

A. I think it would be a great assistance to the public. I never thought about it until you asked me this question, having the whole thing in one volume rather than a number of volumes. I think so, yes.

Q. That point of course is merely a question of simplification, but in looking at these and reading the different Acts it did occur to me that I could see no particular reason why all of these Acts could not be brought into one Act and simply different sections dealing with the different problems?

A. It would simplify it for the people who are doing business with the province if it were all in one volume that they could find them easily.

THE CHAIRMAN: This aspect may not be very important—I don't know how many people secure copies of these Acts from the Department, but I know that in the Department of Mines we have had part of the Mining Act reprinted several times as we found it cheaper when asked for a copy to give a booklet containing that particular part rather than to give the whole Mining Act, and I suppose if you put all these in one Act then every time anybody wants information as to the law respecting Cullers you would have to give them the whole Act. It would cost the province so much more than just the Cullers Act. I don't know that that is of much importance, but I just mention it.

MR. DREW: Well then subject to what may arise in connection with these different features I have no further questions.

THE CHAIRMAN: It is five minutes to four; unless you want to proceed with one of the officials of the Department we have no further witnesses available. Mr. Vining will be here to-morrow, he has been advised by Mr. Draper, Mr. DeWolfe will give his evidence on Thursday and we will have Mr. Clarkson on Thursday. I have heard that Mr. Sensenbrenner cannot be here until some time next week, probably Wednesday, but he is going to let me know the dates he will be here. Outside of that we have nobody available, unless you want to start with one of the officials of the Department. If not we will adjourn until to-morrow morning.

MR. DREW: Is Mr. Cain available yet?

HON. MR. HEENAN: He is under the doctor just now and not available.

MR. DREW: Following what has been said this afternoon, it will fit into the record better I think if Mr. Vining's evidence comes next and you can follow after that with the officials of the Department.

HON. MR. HEENAN: Pardon me, Colonel, just a minute: The officials of the Department are all very timid chaps, they are very nice fellows and I think

they will give you good evidence, but in all fairness to them they have never been interrogated very much and if you could give them a kind of idea as to the line that you want to question them on they will be prepared.

MR. DREW: Yes, I will do that afterwards if you like.

MR. COOPER: I understood Mr. Johnson requested to make a statement to-day as to something that happened last night.

Did you want to make a statement, as you intimated to me this morning?

MR. E. JOHNSON: Yes, I did. I have found out through the Swedish Consul, Mr. Ender, that all forest and paper and timber products to England were cut off, there is nothing coming from those Nordic countries at all, also special machinery that has been on order, no cables or letters going through, and I was merely wanting to bring up to this Commission that I thought there was a big opportunity to realize in the market on pulps, lumber, railway ties, and papers from Canada. It might be well or quite advisable to see if there was much more information that could be procured in that way than I have been able to give you so far.

THE CHAIRMAN: To-morrow morning at ten-thirty.

—At 4 p.m., the Committee adjourned until 10.30 a.m., Wednesday, April 24th, 1940.

TWENTY-THIRD SITTING

Parliament Buildings,
Wednesday, April 24th, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

THE CHAIRMAN: The Committee will come to order.

Mr. Vining is here and before we proceed with his evidence I might say that the Secretary of this Committee informs me Mr. Clarkson will appear before the Committee to-morrow morning at 10.30. Mr. Arthur F. White will give evidence on Friday at 10.30. Mr. Belknap will be available and in Toronto on Wednesday, May 1st, at 10.30 A.M. Mr. Hinman will try to be in Toronto on Monday, April 29th, or Tuesday, April 30th. He will telegraph the Chairman as to the definite date. Mr. Sensenbrenner will write me notifying me as to the exact date he will be available.

CHARLES VINING, Called:

MR. DREW: Mr. Vining, just as a matter of record, you are the President of the Newsprint Association of Canada?

THE WITNESS: Yes.

MR. DREW: I think for the purpose of the record it would be well if you explained briefly the exact function of that association and its general purpose.

THE WITNESS: Well, the Newsprint Association is in general the usual trade association of the newsprint industry. Its main functions are to provide statistical information and to act as a clearing house in general for information and opinion among the manufacturers.

Its object is a simple one: To promote the welfare of the industry.

I think I should explain that I am not giving evidence here really as president of the Association, which includes all manufacturers throughout the country, not just Quebec and Ontario. I am here really as a member of an independent committee which has worked with the Quebec and Ontario Governments during the last five years in connection with prorating matters, because I understood it was chiefly with regard to prorating matters that you wanted to hear me. I will explain in a few minutes, if it is prorating you wish me to talk about, just how this committee came into being, but it is as a member of that committee that I should like to give evidence with respect to prorating at least.

THE CHAIRMAN: That is, the committee of the Newsprint Association?

THE WITNESS: No, sir; it is an independent committee. As I give my evidence the creation of that committee will become quite clear.

I might explain at this time that the committee originally consisted of Mr. W. H. Howard, Montreal; Honourable Mr. Ralson; Mr. Kellogg, an engineer, and myself. Mr. Ralston has since become Minister of Finance. That committee was nominated by the manufacturers and approved by the two governments as an independent committee which has acted more or less as liaison between the manufacturers and the two governments in matters connected with prorating.

MR. DREW: Just before actually proceeding to deal with the question of prorating, I would like to preface my own remarks, so that you will understand the course at least that my questioning is intended to follow in relation to your remarks.

This inquiry grew out of the situation arising in connection with the re-organization of the Abitibi. I mention that merely because it shows the direct association between the problem of proration and the general discussion of this Committee and it may possibly be of assistance in suggesting the nature of the evidence which would perhaps be relevant. That is, I am only speaking in regard to the questions which I will personally ask.

THE WITNESS: Yes.

MR. DREW: That point came up in this way: An Order-in-Council had been passed affecting the Abitibi and it was quite frankly disclosed that its purpose was to play some part in the general problem of reorganization of that large company. Out of that, discussions arose which led to the appointment of this Committee. The functions of the company and the reorganization of the company would necessarily be tied in with the problem of proration and other problems as well and for that reason it would appear to me, at any rate, that this Committee will be greatly concerned with the relationship of the government, and of the government department,—more particularly the department handling this,—and any arrangement worked out in relation to the subject of proration, because as I understand it, proration has really been something that the governments have imposed,—and I do not mean improperly,—by certain legislative pressure on the industry as a whole.

Having regard to that situation and having regard to the fact that in preparing any report which will be of use now or in the future,—and this record will be some value,—I believe it would be desirable that you go back to some extent into the history of the newsprint situation in Canada prior to the beginning of this arrangement in regard to proration. I say that because it does not seem to me that there can be a clear understanding of why proration is necessary or why it is not necessary, because there are two widely divergent opinions unless the background is explained.

I do not think that you as the president of the Newsprint Association will question the facts that this industry has been perhaps more unfortunate than any other in regard to a series of succeeding business crises. I should think that one of the hopes of this Committee would be to suggest some ways in which the long-term operation of the industry as a whole which is so closely tied to government as representative of the people who own the property and there should be some long-term suggestion for a method that will command those succeeding in office in business and also succeeding financial crises.

I have merely outlined my impression so that in the questions which I will ask you will have my general viewpoint on the matter, because I would like that you in your own words simply go ahead and explain it than that it should be in the form of constant question and answer.

THE WITNESS: Right.

MR. DREW: I have no hesitation in saying that I have indicated here that from the beginning of the inquiry that I believe some form of independent control is necessary if this industry is to be free from the constant difficulties which it has faced and the nature of that control, of course, will depend upon the experience of the industry itself and some way of working it out in relation to the foreign markets.

May I also say this, that no matter what the views of the rest of the Committee may be, I believe that your views should be expressed at some length because I think it may be safely said that no one has had a more direct contact with prorating than you, necessarily, in view of your position.

I think also I should make it perfectly clear that I approach the whole sub-

ject of prorating with very grave doubts because of the history of prorating in relation to other industries and I may say with some personal experience of prorating in regard to one industry with which I have had some connection and for that reason I do not think it can be assumed before this Committee that prorating is sound policy and if it is sound policy we should know on the basis of evidence. If it is not sound policy then we should also know similarly on the basis of evidence of those connected with it.

With those remarks I would like you to give the background in some exact detail of the situation in the industry which led to what we now know of as proration and then in your own way describe from that point on the way in which it is worked out.

THE WITNESS: Yes.

MR. DREW: The reason I mention that is that the word proration has been given a very definite meaning through use in some other industries.

For instance, there is an elaborate system of proration worked out in connection with the oil production of the United States and the term proration has been attached to a certain type of operation and it does not seem to me that the present operation here can be said to be practically on the same basis. That may be a question of difference in technical operation and method, but the word is one which has come to have a general meaning and nevertheless I do not think that the public has had any clear definition of exactly what proration does mean in relation to this industry in Canada.

With that preliminary of what has gone on here before, so that you may understand the nature of my questions no matter what other questions may be asked on any other viewpoint, I would like to have some detail of the history of the crisis which led to the beginning of this matter.

THE WITNESS: I will be very glad to do that.

It so happens that I have had occasion within the last few weeks to prepare a report on this subject for another use. In fact, I completed the report only a few days ago. I am not at liberty to file this report with the Committee as an exhibit, but if you will allow me I will refer to the report and make use of the material here as evidence. I should think that would be a perfectly proper thing to do.

It contains a history of the chronology of the background which led to prorating and some of the results as I have seen them.

Before I start on that, it might interest you if I gave you one or two examples as to the relation of newsprint with forest industries and its significance in public economy. Would you like to have something of that sort? I was here yesterday and therefore am not armed to the teeth with statistics, as it were, but I have only the figures which I happen to have with me. The last complete year I have of Dominion Bureau Statistical Returns happen to be the year of 1937.

THE CHAIRMAN: Is it the Calendar year?

THE WITNESS: I believe it is the Calendar year of 1937. I will not raise that point because I am not absolutely certain of it, but I believe it is the year 1937, Dominion Bureau of Statistical Returns, which show that newsprint had an export value of \$126,466,000. Other grades of paper amounted to \$9,688,000. Exports of pulp totalled \$41,816,000. That is the total export value of pulp and paper and all the manufactured products amounted to \$177,980,000. We add pulpwood to that; that is the raw wood unmanufactured. Export values of pulpwood were \$12,088,000. So that of the total forest industries you had an export value of that particular year of \$190,068,000.

Now, to show the relation of newsprint in that, newsprint represented 93 percent of the paper exported, 72 percent of pulp and paper, — that is, the manufactured products,—67 percent of paper, pulp and pulpwood combined. To break that down: Newsprint, 67 percent; other papers, 5 percent; pulp, 22 percent and pulpwood, 6 percent.

I think I am right in saying in 1937 newsprint was the most important single export commodity Canada had; that is, in its export value and the cash it brought into the country from foreign sources.

I have not complete figures here, but I have this figure that in 1938 and 1939 the value of newsprint exports exceeded the value of wheat exports by an average of a little over \$10,000,000 a year. I just mention this because I find most people have little conception of newsprint in national economy and wheat seems to be something people are familiar with for purposes of comparison.

MR. DREW: Is that from the Dominion Bureau of Statistics?

THE WITNESS: Yes. All these figures so far are from the Dominion Bureau of Statistics.

MR. DREW: You mention the fact that the newsprint export is \$10,000,000 in excess of wheat export.

THE WITNESS: It averaged that in 1938 and 1939.

MR. DREW: A year?

THE WITNESS: Yes. Gold was the only commodity exported from Canada in 1938 and 1939 which exceeded newsprint in export value.

I thought these figures might be of particular interest to this Committee, Mr. Chairman, because ninety percent of the Canadian Newsprint Industry is located in Ontario and Quebec and of course in these two provinces you have a little further significance in newsprint in that it, to quite an important degree, is the basis of the great power developments in these two provinces. The newsprint mills alone, according to estimates I have obtained from power company officials, use about forty to forty-five percent of the total power consumption of the two provinces combined. There are actually single newsprint mills which use more electric power than is required to light the cities of Toronto and Montreal together. The bearing of the industry on power development and power consumption has special significance in these two provinces, I think.

I do not want to worry you with too many statistics, but taking Dominion Bureau statistical figures again for the year 1937,—the figures I have given you have been export values in dollars. I have these figures as to volume of production: newsprint in 1937 amounted to 3,647,000 tons; other papers amounted to 698,000 tons. That is newsprint was about 85 percent of total paper production. That is without pulp. That is paper only. That is a little higher than normal, because 1937 was a rather abnormal year. I should say the average would be that newsprint would represent about 80 percent of paper production. I have not figures on pulp production. Pulp production figures are a little bit difficult in this way, that the great bulk of pulp production in Canada is of course used for manufacturing newsprint. I should say about three-quarters of it. I have no Dominion Bureau statistical figures on pulp production here.

I have these figures which I happened to have with me yesterday; an estimate by the Pulp and Paper Association, which I noticed recently for 1939 production.

1939, I may add, was a poor newsprint year and of course was a fairly poor year in the whole industry. The Pulp and Paper Association estimate is as follows: Newsprint production 2,900,000 tons, which is correct; other grades of paper and paper products 700,000 tons. Pulp production net,—that is, the pulp production other than the pulp used in the manufacture of newsprint, which of course would be duplicated,—also 700,000 tons. In other words, according to the estimate of the Pulp and Paper Association, last year newsprint was 67 percent; other grades of paper and paper products, 16 percent; and pulp production net 16 percent; in tons.

There is this to remember about newsprint, as far as its significance in our public economy is concerned, that 95 percent of the newsprint we produce in this country is for export, so that it represents for us of this country a cash crop, as it were. Ninety-five percent of the production means bringing money into this country from abroad and the money brought in by newsprint is substantially all spent in this country, because with the exception of sulphur and minor items, very little raw material is purchased from abroad for the manufacture of newsprint.

I think those are about all the statistics I will bother you with. They are all I happen to have with me.

MR. OLIVER: Where are the chief markets?

THE WITNESS: The chief market for Canadian newsprint is decidedly the United States. Within the last ten years, or less, however, there has been a considerable development of overseas markets. I might touch on that for a moment, if you wish.

One of the very interesting developments of the newsprint industry in general has been the development of markets other than the United States. I have not recent years' figures here, but taking a period from 1929 to 1936, for example, the United States consumed in 1929, 273,000 tons more than all the rest of the world put together.

In 1936,—seven years later,—the condition had been reversed. Other

markets consumed 900,000 tons more than the United States. In other words, to put it more simply, the United States has been more or less a static market in recent years. It appears to have reached its peak of consumption and been more or less on a level, with minor fluctuations, whereas other countries, particularly the Oriental markets and South American markets, have been developing very substantially. That is why these overseas markets have become of great importance to us.

MR. DREW: I understand that Germany has been a fairly heavy consumer.

THE WITNESS: Yes.

MR. DREW: Have you any figures on that?

THE WITNESS: German apparent consumption,—and when I say “apparent consumption”, I mean shipments taken. That includes whatever stock it may have from year to year. I have only figures with me up to the end of 1936. German consumption in 1929 to 1936 year by year was: 451,000 tons; 337,000 tons; 321,000 tons; 391,000 tons; 349,000 tons; and 376,000 tons.

MR. DREW: How much of that was going from Canada?

THE WITNESS: None.

MR. DREW: None from Canada?

THE WITNESS: No. Germany, in fact, in recent years became an exporter to some extent.

MR. DREW: Of chemical pulp?

WITNESS: No, of newspaper.

THE CHAIRMAN: Outside of the United States which are our principal markets?

WITNESS: England,—and I am not giving them, necessarily, in order of importance.

THE CHAIRMAN: Very well.

WITNESS: The British Isles, Australia,—Australia and New Zealand combined,—the Latin American countries, South America, and the Orient,—China.

If you wish, Mr. Chairman, without taking too much of your time, if you would care to give me a list of the statistical information of that kind which you would like to have, I will endeavour to have a statement prepared for you and submit it to you by mail, or come back, if you so desire.

THE CHAIRMAN: We might deal with that at the end of your evidence.

THE WITNESS: Yes. I am afraid I am not equipped this morning to go very far into statistics.

THE CHAIRMAN: I do not suppose you came to Toronto expecting to give evidence before this Committee.

THE WITNESS: No, I did not. If you wish, I will proceed with some of the things Colonel Drew indicated, namely, the background of prorating. At the end of Colonel Drew's remarks he mentioned something about the definition of prorating, and perhaps it would be well to clear that up before we start talking about it.

Prorating, I find, has certain differences in meaning in different industries; different methods. In some cases,—and in particular I am thinking of one or two United States industries,—prorating has meant a curtailment of production. Where you have had an over-production of a commodity, prorating has meant applying a uniform curtailment of production on all producers in order to avoid a glut on the market. That is not true, in any sense, of prorating as it has been applied to newsprint. It has been applied to newsprint and the policy has been a very simple procedure. It has been simply a distribution of production. Production or shipments have been divided. That has been the policy. Divided among all the effective mills according to the efficient capacity rated by engineers of those mills, but it has been a distribution and not in any sense a curtailment of total production.

Approaching the background of prorating: Prorating, of course, arose as a governmental policy from the disrupted state of this industry and the effect of the condition of the industry upon the public interest. The newsprint industry, as Colonel Drew intimated a few moments ago, has had several periods of business misfortunes. Its own private depression really began before the general depression in 1929. I would say that newsprint troubles in this country began to develop about 1927 and 1928 and they began to develop through the very rapid expansion of the industry's capacity.

MR. DREW: Overbuilding and over-expansion?

THE WITNESS: Yes. There is a rather interesting point on the question of expansion which may be worth mentioning. We,—and those concerned with the industry and observers of the industry,—have inclined to be quite critical of the industry because of its over-expansion. Probably that criticism has been well justified. No one has been more emphatic in it than myself. It has not been only Canadian expansion which has caused the difficulty, but there has been considerable expansion of capacity in other countries.

One of the very curious things about this industry is that as far as I know it is almost the only industry in which expansion takes place in a time of depression. It takes place in this way,—and this has been the notable feature of expansion since, say, 1933,—you have the building of conversion mills, or converting mills. In countries like England and France,—those are two outstanding examples,—they have no forest resources of their own; they obtain their raw material either in the form of pulpwood or pulp from other countries,—principally from Scandinavia; they develop in the period of depression, because in the period of depression prices of these raw materials are very low. Therefore a converting mill can buy its raw material perhaps more cheaply than producers who have their own natural resources. For that reason we have this rather

curious situation of a considerable development of world capacity, and expansion of world capacity during depression years.

For example, outside of Canada in the five years of 1933 to 1937 we had new capacity as follows: British Isles, 150,000 tons; France, 210,000 tons; Japan, 125,000 tons and Scandinavia, 220,000 tons. That is a total of slightly over 700,000 tons of new capacity during those five years, while in Canada the expansion was 290,000 tons.

In Canada, since 1932 or so, I think there has been only one new newsprint mill built. That is just a minor point, perhaps.

MR. DREW: You are not referring to the one which has been built but which is not operating?

A. No, sir. The only new mill since 1932,—and I think I am right,—is the mill at Baie Comeau, Quebec.

THE CHAIRMAN: That is a large mill.

THE WITNESS: It is of about 115,000 tons capacity. That is perhaps not a particularly important point about expansion, but it is rather interesting to keep in mind the effect of these conversion mills which have their heyday in a period of depression, when they can get their raw material more cheaply.

I started to say that the troubles of the newsprint industry in this country began about 1927 and 1928 and there were efforts made at that time to deal with them. The two provincial governments of Ontario and Quebec made certain efforts, which I think it is unnecessary to go into detail in respect of here. The three largest banks in the country also made efforts through a bankers' committee under the chairmanship of Sir Edward Beatty. These various attempts unfortunately failed for a variety of reasons, which again I think it is not necessary to go into here. And for a period of a year or two it looked as though hope had been abandoned and there were no efforts of any kind apart from the efforts of the manufacturers themselves.

That brings us to the year 1934. I would like to take that as a starting point because it is a natural starting point and because it marks the beginning of my connection with the industry and from here on I can speak more or less at first hand. I will take as a starting point, as I say, the start of the industry in 1934. I will start by referring to the report I mentioned, if I may:

The industry had come to an almost complete collapse; approximately 50 percent of it was operating in receivership or default and a number of the prominent companies were on the verge of this condition. In wages, the workers of Quebec, we found, were worse off than coloured labour in the Southern States. Some mills by no reason of merit were running full, while equally efficient mills were shut down, with their employees on relief. Stumpage dues and other public revenues had been terribly reduced.

THE CHAIRMAN: If you are reading from that report the reporters may consult it when transcribing their notes.

THE WITNESS: I would have no objection to that for my part.

Producers by necessity were mining out their best wood resources and thereby creating future trouble. There was virtually no return on several hundred million dollars which had been put into the industry.

Internally the industry was a mass of suspicion, ill-will and discouragement. Secret price concessions and other sharp practices were common-place and a prolonged period of cut-throat selling had shackled the industry with a fantastic interlocking contract system by which a single seller through a single contract could and did arbitrarily fix the market price for the whole industry for a year or longer.

The general business trend was upward and tonnage volume was improving substantially, but newsprint prices remained at their lowest level in thirty years or so. The industry appeared to be without power of normal recovery. The detrimental effects of these conditions upon the public interest and the responsibility thus imposed upon the Quebec and Ontario governments were brought to a head by a number of incidents in 1934 and 1935. These are of present importance not only because they illustrate the development of governmental policy but also because they illustrate in a specific way conditions which may return.

Now, I do not know whether you wish me to go into these various incidents in detail. There you have the background and the state of the industry in 1934, the failure of attempts which had been made in 1930, 1931 and 1932. The state of the industry in 1934 was that it was virtually in a state of complete collapse. Following that condition in 1934 and 1935 there were a series of incidents in Ontario and Quebec which brought the two provincial governments unavoidably into direct contact with manufacturers. I will describe these incidents, if you wish. I think it is not really necessary in this, except you may want me to.

MR. DREW: Unless there is some reason why it is particularly undesirable having regard to the welfare of the industry. Personally I would like to see them in the record for this reason. Of course I have no way of knowing how far the other members of the Committee are prepared to consider it an important point, but I consider it is the real reason this inquiry was introduced, because so far as I can see it is the only way in which we can form some sensible judgment as to how necessary this is in view of the present situation.

THE WITNESS: I have not the slightest objection. In fact I will be glad to give you these incidents; it is just that I do not wish to impose further on your time than you want me to. If you find me going too much into detail, say so and I will generalize.

There are five incidents which I have in mind which can be taken of importance and each one led or had a part in the development of governmental policy.

The first incident occurred in October of 1934 and if you do not mind I will follow the report because I desire to be as accurate as I can.

THE CHAIRMAN: Go ahead.

THE WITNESS: The first incident occurred in October of 1934 when one of the Quebec companies which had lost tonnage and was approaching bankruptcy accepted an offer of some 30,000 tons from two United States buyers on the basis of continuing the 1934 price through 1935. By reason of the interlocking contract system this action automatically fixed the market price of the whole industry for the coming year.

MR. COOPER: What do you mean by that?

THE WITNESS: I will explain: The interlocking contract system was a product of the several years of depression in the industry. In order to obtain tonnage and to please buyers, if you like, as a form of selling argument or concession, a company would say to a buyer, "I will supply you with your requirements for a year and I will guarantee that my price to you will not be any higher than the price of X-company or Y-company." That reached the extreme form where companies would actually make contracts guaranteeing that their price would be no higher than the price of mills of 100,000 anywhere on the continent.

Now you can quickly see from that that one mill of 100,000 tons thereby could set the price for the whole industry, because these interlocking contracts became general with all companies, and this is actually what happened, as you will see, in this incident. It left a very pleasant strategical position open for buyers, because all they had to do was to persuade by one means or another one mill to make a satisfactory price or a continuance of the old price and they thereby had the whole market price fixed.

The interlocking contract system really cannot be over-emphasized. We are free of it now partly as a result of the policy which has been adopted, but it cannot be over-emphasized, as I said. It was a key to a great deal of the instability and trouble of the industry. Obviously you could not have stability where it would be possible for one company, for one man whose judgment might be faulty, or who might be subjected to curious or various forms of persuasion to set price for the whole industry.

MR. COOPER: Was this an idea on the part of the industry to protect itself?

THE WITNESS: It just occurred because of the competitive pressure and the pressure of buyers and mills. A buyer would say to a mill, "Unless you give me a contract of that kind, I will not give you my business."

THE CHAIRMAN: Will a new price set in the contract affect prices which may be made? Supposing that the X-Company made a contract with a newsprint manufacturer for newsprint at say \$45.00 a ton on the first of January for a year and on the first of April another firm got a price of \$42.50, would that second contract have the effect of reducing the price of the first contract?

A. Decidedly.

HON. MR. HEENAN: Q. On account of that clause?

A. On account of the interlocking clause. As a matter of fact without that I should say a public action of that kind by any major producer in reducing the

price would probably reduce the whole market price by competitive judgment; other mills would not be wanting to charge their customers more than a major producer was charging his customers. There are a number of curious features about this industry and you have hit on one or two of them there, Mr. Chairman. One is that contracts are made for annual periods, as a rule prices are named for annual periods; it happens at the present time that prices are being named only by quarters because of the abnormal war conditions which prevail; the manufacturers don't feel secure to judge further ahead than three months; but that condition of annual contracts and annual prices I think is rather unique in this industry, I don't know of other commodities that are sold that way.

Q. Mr. Vining, to emphasize that point that the Chairman asked: A publisher makes a contract with a manufacturer say for \$45.00 a ton for a year and then another manufacturer makes a contract with another publisher during that period that the contract as written may be, say at \$42.50, that automatically as I understood it came before the manufacturer at \$45.00 a ton and he reduced the price to \$42.50 during the period of the contract?

A. Correct. I think I can put that this way more clearly: Under the interlocking system that would be automatic, the man would have no choice, his contract would require him to meet the \$42.50 price. Generally speaking even without interlocking contracts a manufacturer might want to meet that by commercial judgment, competitive judgment, but he wouldn't be compelled to.

MR. COOPER: Q. When would he meet the price, immediately that the other company entered into that?

A. Yes.

Q. And he couldn't look ahead with any security on his contract as to what his price was going to be at the end of the contract?

A. No.

THE CHAIRMAN: Q. And a manufacturer having established his price to provide for a reasonable margin of profit might be forced to fill his contract after a couple of months at a price below cost?

A. Oh, decidedly yes. I am glad that you have asked me to give you those incidents because I think they will elicit these points that we regard as important. I had just read this first study of the first incident, that by reason of the interlocking contract system this action of the one company automatically fixed the practice of the whole industry for the coming year, that is, continued the 1934 price for the whole year 1935.

On learning of this Premier Taschereau interviewed them—this was a Quebec Company—he did not attempt to say what the market price should be but he objected to the action of one company in blocking the normal improvement which had been expected by producers and consumers alike. By a threat of penalties in stumpage dues and cutting privileges he forced the other Quebec mills to provide the company in question with the tonnage it needed and he told

this company it must extricate itself from the situation it had created. The price in 1934 was \$40.00 a ton; that was the lowest price in some thirty years. This action of the one company meant that the \$40.00 price would continue through 1935 although volume of business was improving very substantially at that time. All other commodity prices were going steadily upward. As a matter of fact in 1935 the tonnage produced in Canada exceeded the previous peak of 1929 but as you see the price remained at \$40.00 by reason of this incident.

The company, however, did not succeed in persuading the two buyers to revise the contract terms and in consequence the newsprint price remained at the 1934 level throughout 1935 although tonnage volume in 1935 proved to be higher than the previous peak in 1929. I had forgotten that that was here.

Premier Taschereau proceeded to impose the penalties he had threatened and the company in question suffered materially but he discovered that his authority in this respect was limited. This discovery and his disgust with the industry in general led Premier Taschereau to bring in legislation giving the Government much wider powers.

Then the second incident occurred in December, 1934, and gave the new Hepburn administration in Ontario its first direct experience of newsprint trouble. You could probably have more eloquent testimony of this from the Minister than from me because this was his first happy experience of newsprint I think.

HON. MR. HEENAN: "Eloquent" is the proper word.

WITNESS: One of the Quebec companies took from the Great Lakes in Ontario an important tonnage contract. Officials of the Great Lakes reported this to the Ontario Government and explained that the loss of the contract left the mill with so little business for 1935 that it would be speedily shut down unless other tonnage could be found. Such a shut-down would have meant an unemployment crisis at the head of the lakes where one of the Abitibi mills was already closed. The Ontario Government appealed to Premier Taschereau and the two governments by joint pressure succeeded in obtaining from other mills sufficient tonnage to enable Great Lakes to continue operations. This incident contained the rudiments of the prorating policy, it brought the two governments into joint action for the first time and emphasized in their minds the social significance of such behaviour.

I interject here between these two incidents and the next one the special legislation in both provinces. The above two incidents gave Premier Taschereau a very unfavourable opinion of the industry as a whole and he decided to obtain adequate legal power to deal with future troubles.

I needn't follow this in detail further except that it was these two incidents which led Premier Taschereau to bring in in Quebec the Forest Resources Protection Act; that was in the session of the Quebec Legislature of 1935. I presume that most of you are familiar with the Act. The Ontario Government at this time considered the advisability of introducing legislation paralleling the Act in Quebec—that was in 1935—it was dissuaded from such a course by several

Ontario manufacturers who pointed out that the Ontario companies all being in default under the terms of their timber limit leases were already at the Government's mercy. At any rate the Ontario Government concluded at that time that legislation was not necessary and it was not until a year later that they brought in the Forest Resources Regulation Act as in the meantime they had discovered that they did need some powers paralleling the powers in Quebec.

The Quebec and Ontario Acts are similar. They provide that in cases of conduct detrimental to the public interest the Provincial Government may impose penalties so severe as virtually to prevent the companies from continuing operations. The Ontario Act has in it provisions regarding the allocation of timber limits.

These first two incidents, that is the Quebec company continuing the 1934 price through 1935 and the near shut-down of the Great Lakes Company, convinced the governments that uneven distribution of tonnage among mills was a basic cause of the industry's instability. The second incident also made the Ontario Government begin to question whether Ontario was obtaining its proper share of tonnage and employment. At the beginning of 1935 therefore the two governments began to interest themselves in the question of tonnage distribution; prorating as such had not yet been conceived; but both companies began to press for tonnage to assist certain short mills and the industry was warned that it must work out some method of stability along these lines if it wished to avoid outright governmental control.

THE CHAIRMAN: Q. Pardon me. You said "both companies"; I think you meant "both governments?"

A. I beg your pardon. "Both governments" is what I should have said: "Both governments began to press for tonnage to assist certain short mills."

Now here you come to the beginnings of the committee that I promised to explain: With the introduction of the Forest Resources Protection Act the manufacturers realized that governmental control was no idle threat and a number of discussions took place early in 1935. This, keep in mind, was chiefly at this time in the Province of Quebec, because the early troubles of the industry seemed to concentrate in Quebec; later troubles followed in Ontario. One of these was the attempt of an independent committee to try to work out an adequate plan of detailed distribution which Premier Taschereau had said the industry must work out, and secondly, to satisfy the governments of the industry's good intentions in this respect. An independent committee was appointed because the manufacturers having a long history of some animosities and troubles behind them did not care to select manufacturers themselves for such a committee for dealing with the governments so they decided to select a small committee of persons not connected with any company.

The committee at that time consisted of Wilbur H. Howard, of the legal firm of Brown, Montgomery & McMichael, of Montreal, the Hon. J. L. Ralston, K.C., and myself. This committee later contributed to the development of the prorating policy and became a part of its operation. It began to report to the two governments in June, 1935, and had hardly started its work when the third incident occurred.

I must interject again there, so there may be no misunderstanding, that Hon. Mr. Ralston severed his connection with this committee in September, 1939, upon becoming the Minister of Finance and of course has had no further connection with industry affairs.

The third incident occurred in July and August, 1935. It arose from an attempt by United States buyers to repeat the procedure by which they had succeeded in the first incident the previous October, that is the interlocking fixing of the price. This time they approached Price Brothers & Company which was then operating in bankruptcy with one of its two mills almost shut down. They offered the company some sixty thousand tons or more that was to be taken away from other companies on condition that the price in 1936 be fixed at the 1934-35 level of \$40 a ton. Acceptance would mean by interlocking contracts they fixed the market price for the whole industry and blocked any possibility of any improvement for another year.

We are clear now how that interlocking thing was worked?

THE CHAIRMAN: Yes.

WITNESS: When Premier Taschereau learned of this he took steps similar to his action in the first incident. He didn't suggest what the 1936 price should be but he objected to acceptance of inducement to block the normal recovery, he told Price Brothers & Company that it must not accept; at the same time he assured the company that the Government would compel other manufacturers to provide the company with its fair share of tonnage so that both of its mills could be operated. He informed the Ontario Government of the action he was taking and the company by letter and to other manufacturers through the committee Premier Taschereau stated that the new Forest Resources Protection Act would if necessary be invoked to its full extent, and he warned the industry again that it must work out some method of stability without delay. This was in the summer of 1935. The committee conferred with Price Brothers and the other companies, the Government's authority under the new Act was realized and the outcome was completion of a method for distributing tonnage to Price Brothers and certain other short companies for 1936 which although somewhat haphazard was accepted by Premier Taschereau in a letter to Price Brothers, as appeared fairly reasonable under the circumstances. The company, that is Price Brothers, thereupon complied with the Premier's demand and declined the terms proposed by the buyers.

This incident was an important development of governmental policy in the direction of prorating, first because it centred on the question of what constituted fair shares of tonnage, and secondly it thereby introduced disputes which showed the need for accurate capacity ratings. In that letter to Price Brothers, Premier Taschereau made first use of the expression proration of tonnage in the industry.

The matter of capacity ratings is quite important. The committee in its struggles to find tonnage for the company, which Premier Taschereau was insisting upon, ran into a series of disputes with the company itself and with other manufacturers as to what ought to be a fair share to Price Brothers, and unfortunately they had no accurate basis for determining that because at that time

there were no capacity ratings in the industry which the manufacturers regarded as being accurate. I will come to this later on, I think I may as well cover it now: The capacity ratings in the industry at that time had not been made by engineers, they were estimates based on shipments. Included in the capacity ratings were certain mills which the industry in general regarded as old—obsolete, if you wish—and there were a number of new mills that hadn't had an opportunity to run at full rate and which therefore were under-rated in the capacity ratings. So this incident brought out very clearly the need for some accurate rating of capacity of the mills as a basis for determining what constituted fair shares.

The next incident which occurred again involved Great Lakes Paper Company, Aldridge and Gefaell's plan for reorganization of the company. I was just wondering if I could condense it at all because it is a little bit long.

MR. DREW: I don't know what the feeling of the other members of the committee is but I think for my own part that this is so fundamental to the whole future of the industry, which as you pointed out from the export point of view is second only to gold in value to Canada, that I think we should have as complete information as you can give us.

WITNESS: I would be very glad to.

THE CHAIRMAN: I think we can leave it to Mr. Vining's discretion to take as much time as he wants and tell his whole story.

WITNESS: Very well. I think it would be well then to give you certain aspects of this incident.

This incident again involved the Great Lakes Paper Company. It began in September, 1935, on the heels of the Price Brothers incident which I have just described and it presented the Ontario Government with a problem not unlike that which had just been faced by Premier Taschereau. Great Lakes was then being operated in receivership by National Trust Company. The problem arose with the introduction of the Aldridge & Gefaell plan to reorganize the company, Mr. Aldridge being an official of the Chicago *Daily News* and Mr. Gefaell a paper salesman who had solicited the United States publishers involved in the plan. The aspect of the plan was that a number of United States publishers, most of whom were customers of other Canadian mills, would place ten-year tonnage contracts with Great Lakes; by that I mean contracts for their whole requirements from Great Lakes for a period of ten years; and in return these publishers would receive free shares of B stock, one share per ton, bearing dividends concurrently with a dividend paid on the A stock which was held by genuine investors. Great Lakes, which had been without tonnage, as we saw in the second incident I described, the near shut-down, would thus take from other producers sufficient business for approximately full operation and this in turn might make possible the free stock dividend. That is, these publishers by putting their tonnage in might make possible full operation and that might make possible the payment of the B stock dividend. Other manufacturers were greatly disturbed by this plan; they regarded the free stock arrangement as merely a disguised price rebate. They also believed that the tonnage to be taken from other producers by this method would create new short situations and that in general the plan would work against the stability for which the two governments were pressing and most of the manufacturers wished to achieve.

An alternative plan of reorganization was submitted to the Great Lakes bondholders and when this was rejected the Ontario Government was advised. Premier Hepburn, Hon. Mr. Heenan and other Ontario Ministers examined this situation at a meeting on November 2nd, 1935, attended by representatives of the industry, the bondholders' committee, National Trust Company and counsel for Messrs. Aldridge and Gefaell. On November 6th the Government issued a statement that it would oppose the plan. Premier Hepburn informed Premier Taschereau of this position and invited the co-operation of Quebec to make sure that Ontario companies received fair treatment in tonnage distribution. The bondholders' committee obtained a court approval of the plan on December 20th but on appeal the approval was rescinded and the Government apparently was in a position to dictate terms. In the meantime National Trust Company in its capacity as Great Lakes Receiver had given the Aldridge-Gefaell group of publishers an undertaking that if the plan didn't materialize by April 1, 1936, the Great Lakes would supply them with tonnage at a price reduction of \$2.00 a ton effective from January 1, 1936, that would have been a price of \$38.00 a ton instead of \$40.00, with some probability that other companies would have felt it necessary or expedient by competitive pressure to meet that price.

MR. COOPER: Q. Was this interlocking clause in the other companies' contracts at that time?

A. I should explain that manufacturers got rid of the interlocking feature by waiting until their contracts containing such clauses expired and then declining to renew them. By this time some of the interlocking clauses of contracts had been eliminated but it was a question which really nobody could answer without trying out as to whether enough had been eliminated to make it unnecessary to follow those prices.

During March, 1936, an agreement was reached between the governments, representatives of National Trust and counsel for Messrs. Aldridge and Gefaell. The agreement as accepted by the governments and the industry consisted of two things: First, amendments to the plan regarding the basis of dividend payments, and secondly, an undertaking to the Government that the new Great Lakes Company would participate equitably with other mills in such distribution of tonnage as the Government might require. It later developed that Mr. Aldridge and other directors of the new company obtained a different impression of the agreement, which I will come to later. On the strength of this agreement as the Government understood it, the Government withdrew its opposition and the amended plan received court approval.

Now this incident is of importance in the developments I am trying to trace for three reasons: First, because it led to the Forest Resources Regulation Act at the 1936 session of the Ontario Legislature; second, dispute as to the terms of the above agreement, that is the agreement by which the Government withdrew opposition to the plan, dispute as to the terms of this agreement has been a source of constant difficulties between the Government and the companies during the past three years; and third, these difficulties have constituted and still constitute a major difficulty in the application and result of governmental policy, as I shall come to when we discuss the results of prorating.

During the course of this incident, that is this Great Lakes reorganization

matter, another important development was taking place. This was a growing belief on the part of the Ontario Government that Ontario as a province was not obtaining its fair share of tonnage. The question first arose in connection with the threatened Great Lakes shut-down, the second incident I told you about, at the beginning of 1935. The Hon. Mr. Heenan raised the question of that himself and later with the committee at intervals during 1935 and at his request several statistical reports were prepared comparing production by provinces. These reports brought out two important points: In the first place they showed the need for accurate capacity ratings because no reliable figures were available and I have mentioned that this unfortunate committee had already experienced the need for accurate capacity ratings in the Price Brothers incident. Now we found that it was impossible to answer Hon. Mr. Heenan's questions as to whether or not Ontario was getting its fair share because there was no basis for accurate comparison. Capacity is the only basis and we did not have accurate capacity figures. The committee pointed this out to the manufacturers at various times but no action was taken until 1936 when governmental pressure began to increase.

In the second place, the growing doubts on the part of the Ontario Government brought up the question of finding some form of tonnage distribution which would not merely obtain tonnage to relieve acute short situations, such as had satisfied the governments in these two cases, that is the Great Lakes shut-down and Price Brothers, but would assure each province of its pro rata share of employment and public revenues.

The whole question of interprovincial newsprint relations, including these aspects of it, came suddenly to a head at the end of 1935 when the Ontario Paper Company announced its intention of building a mill in Quebec. That is the new Comeau Bay mill, which I will come to in just a minute.

Just to go back for a moment, I think you can see from these incidents how the question of interprovincial shares of tonnage began to develop. At the time these incidents occurred the Government's great concern was naturally to find some way of dealing with that particular crisis, the near Great Lakes shut-down for example in the beginning of 1935 the Ontario Government's main concern was to find enough tonnage to keep that mill going. Naturally when the members of the Government began to think over situations like that they began to wonder whether the province as a whole was getting its fair share of tonnage and they began to realize that tons meant livelihood or unemployment meant so much more than breakdown of production or so many dollars. So that question developed to a major issue out of these incidents and as I have intimated that issue of interprovincial shares was finally brought to a head by this last incident, the fifth.

On December 7, 1935, Ontario Paper Company announced that it intended to build a one hundred thousand ton newsprint mill in Quebec, at Baie Comeau, construction to start early in 1936 and to be completed by 1938.

To the Ontario Government this seemed the last straw in the unfair treatment which it believed the province was receiving. Members of the Ontario Government, who had already believed that an adjustment was owing to the province, saw the new mill in Quebec as an addition to the disparity and their

indignation was emphasized by the fact that they were in the throes of the Great Lakes reorganization difficulties, in which they felt they were fighting a battle for the benefit of both provinces.

For a while, there appeared to be a possibility that co-operative relations between the two governments might be terminated but eventually an opposite course was followed. I mean by that that the committee detected in the temper of members of the Ontario Government after a while a disposition to have Ontario go its own way and seek volume of tonnage by whatever reprisal methods it might find necessary, and there was a risk, it seemed to members of the committee for a while, that co-operative relations between the two governments would be broken off.

Eventually an opposite course was followed, the two governments engaged in discussions in an effort to find a solution of their difficulties, and it was these discussions that resulted in an agreement between the two governments establishing a joint policy in newsprint affairs.

Each of the five incidents which I have reviewed was a phase in the development of the prorating policy. It was the cumulative experience of these troubles which led each of the provincial governments to adopt special legislation and finally brought them to an agreement on joint policy. Probably the main factor was the Ontario Government's feeling that Ontario was not obtaining its fair share of tonnage and this was the primary question in the conference which took place between Premier Taschereau and Hon. Mr. Heenan in Montreal at the beginning of 1936.

We are coming now to the real beginning of the prorating policy:

Both the Hon. Mr. Heenan and Premier Taschereau had discussions with members of the committee at this time, particularly with Hon. Mr. Ralston and myself, and we endeavoured to submit material and opinion which would assist a solution. The principal question in the Hon. Mr. Heenan's mind was to find the best method by which Ontario might be assured of its proper tonnage position.

There appeared to be two possible methods of establishing proper provincial division of tonnage. One was for the governments to agree upon provincial quotas, along the lines of other commodity quotas between countries, with each government then attending to the distribution of its quota amongst producers in its own province. The other method was for the governments jointly to see that each producer in the two provinces obtained his equitable share, from which an equitable share between the provinces would be bound to follow.

The committee favoured the second method. The Hon. Mr. Ralston and myself recommended it in discussions with Hon. Mr. Heenan as being the more practical of the two, and, as we believed, less likely to lead to interprovincial friction.

That is, if I may enlarge on that for a moment, we thought it would be very undesirable for everybody concerned to see a provincial boundary line drawn, to see each province set a certain quota for itself and then attend to its distribution

within its own province. We feared—when I say “we” I mean the members of the committee—we feared that might lead to interprovincial competition which would simply be an enlargement of the intercompany competition which had already brought the industry into an unfortunate state. So we recommended to both the governments that in order to arrive at a fair share of tonnage for each province they should assure or find a method of assuring that each company would have its fair share and it would automatically follow that each province would have its fair share.

Either of the above methods, or, in fact, any workable method of determining proper provincial shares, obviously required accurate figures of mill capacity ratings.

I think I needn't emphasize that further, I have already dealt with it. It was, however, the development of these discussions between the governments which finally led the manufacturers to take the action that we on the committee had been pressing them, to establish accurate capacity ratings, and at the beginning of 1936 we—whenever I say “we” I mean the committee—finally persuaded the manufacturers to take some action, and they began to arrange to engage a firm of engineers for purposes of these ratings, and were just in the middle of those arrangements when the two governments had this conference and they had their discussions in February 1936 and began to press the industry for action. That is how the rating of capacities came about.

A number of discussions, by telephone and in person, took place between representatives of the governments of Ontario and Quebec at the end of 1935 and early in 1936. I have no records of these discussions but the record is not important because all of it led to this final conference between Premier Taschereau and the Hon. Mr. Heenan in Montreal on February 25, 1936 when an agreement between the two governments was reached.

The agreement was that the two governments would follow a joint policy in regard to newsprint affairs and the main features of the policy were established as follows:

First, there must be an equitable distribution of tonnage between all producers in Quebec and in Ontario, and hence between the provinces. Second, the industry itself must proceed to work out a method of distribution and submit proposals to the governments. Third, that a reasonable method, representing the judgment of the majority of the manufacturers, would be adopted and enforced by the governments under their respective legislative powers.

One thing I wish to make clear, these three points I am reading out are not points from any document, because so far as I know there was no written agreement between the provinces, there was a gentleman's agreement only. These three points which I have read out are the three points which were explained to the committee and to the industry through the committee as being the basis of the agreement.

This joint policy was defined in letters from Premier Taschereau and Hon. Mr. Heenan addressed to myself for presentation to the industry, and the committee called a meeting of the manufacturers for this purpose on March 6th,

1936. At this meeting we explained the three points of governmental agreement which I have just outlined and we pointed out to the manufacturers that the governments expected and were insistent upon prompt action. We made that as emphatic as we could because in our belief both governments were in a temper that delay might effect unfortunate results for the manufacturers.

The result of this was that on March 6th the manufacturers decided to proceed at once with the survey of capacity ratings which I have mentioned and they asked the members of the committee to assure both governments at once that they were taking immediate action and that this survey of effective capacities was necessary as a preliminary to developing any plan of tonnage distribution, it had to be the basis of determining what a fair share should be. We reported this to both governments and assured both governments that in our judgment the manufacturers were perfectly sincere in their good intentions. We found that both governments at that time were inclined to be a little skeptical—I think we could hardly blame them for it, they had had a number of unfortunate experiences with the manufacturers and I think both governments were inclined to feel that this survey of capacities was being used as an excuse for delay, and we endeavoured to persuade them that this was not the case, but I remember the Hon. Mr. Heenan particularly was inclined to be a little skeptical and he told us to tell the manufacturers that he would not tolerate any excuse of this kind or any use of such a survey as a means for unnecessary delay.

While the survey of capacity ratings was in progress, members of the committee had a number of discussions—now this, to keep chronologically straight, was in March, April, May, 1936—members of the committee had a number of discussions with the two governments with a view of finding a formula for the required method of distributing tonnage. The outcome was a simple form of prorating which seemed satisfactory to the governments and which the committee was prepared to recommend to the manufacturers.

The method was to determine—this is the method of prorating—each manufacturer's equitable share of tonnage by his percentage of total effective capacity.

If a company's capacity were 10 percent of the total industry capacity, its share of the total tonnage would also be 10 percent. To put it another way, if the total shipments by all mills amounted to, say, 60 percent of the total efficient capacity, then each manufacturer's shipments should also be 60 percent of his individual capacity. Is that quite clear?

There was nothing unique about such a method, nor does the committee lay any claim to originating it. It was borrowed from prorating procedures, which methods have applied to various other industries in Canada and the United States, the oil industry, which Colonel Drew mentioned, being a familiar example.

It also paralleled the prorating of tonnage which has been practiced effectively for some years past by the newsprint industry in Finland. Before I finish, if you wish to keep me that long, I will enlarge a little bit on the state of affairs in Finland, that is, excluding war conditions.

But I will just mention now that in the Finnish industry the question of

prorating is very greatly simplified by the fact that all the Finnish producers, with one exception, sell their product through a single sales company. It is called the Finnish Paper Mills Association. It is not at all an association in the sense that we understand it in this country; that is, it is not a trade association, it is an outright incorporated selling company.

This company, selling for all the Finnish mills, then divides the volume of sales among its various member mills in relation to their capacity, or on some formula which they have established. So prorating is greatly simplified there.

The survey of capacity was completed about the end of May, and on its completion we reported the fact to the two provincial governments, and we advised the two governments—that is, the committee—advised the two governments that we intended to call meetings of the manufacturers on the 9th and 10th of June, 1936, at which they would have an opportunity of carrying out their promise of working out a method of tonnage distribution to submit to the governments. Bear in mind that the working out of that method had been postponed in March until the survey of capacity ratings could be completed. We advised the two governments of this, and each government gave the committee a message to submit to the manufacturers at these meetings enlarging somewhat on their insistence that a method of tonnage distribution be worked out and that it be worked out without delay, on the general principle that it must be based on an equitable share of shipments for each company in the two provinces.

At the meeting of the manufacturers we as a committee outlined the very simple method of prorating which I described a minute ago.

We told the manufacturers that we had had discussions of this with both governments; that it appeared satisfactory to them, and that we recommended it as a workable method. The manufacturers had no other method, no alternative method to propose, and that therefore was the method which was adopted and which we accordingly reported to the two governments.

Now we come to a point which unfortunately did not seem particularly important, or not sufficiently important, in June, 1936, but which is now, after the last two years' experience, of very pressing importance; that is, the method of applying or administering the policy.

When this agreement was made between the two governments very little thought, looking back at it, was given to the question of applying the policy. When I say "very little thought", I mean very little thought by the committee as well as by the two governments. The main thought was what the policy should be. And I think it was just generally assumed, it was known, in fact, that each government had adequate authority, and the committee was quite confident that the governments concerned could deal with any recalcitrant manufacturer.

The result was that although it was a joint policy of the two governments there was no machinery set up for joint administration. In fact, the whole question of administering the joint policy was left in an inadequate condition. We will come to that later when we see the results of prorating during the last two years.

It was necessary to provide some organization for carrying out details for which the governments intended to hold the manufacturers responsible, including the revision of the mill capacity ratings from time to time.

I want to touch on this because here is the second stage of the committee, how it happened to continue as an instrument of prorating. The governments had stated that the industry itself must attend to the procedure involved in distributing tonnage. That is, the actual mechanics. But they wished to receive reports from which they could ascertain whether their policy was being properly carried out so that measures of enforcement could be applied if necessary. In order to provide for revision of capacity ratings from time to time, revision was necessary because new equipment was put in and the conditions of mills changed. The manufacturers decided to retain the services of Mr. Paul Kellogg, the engineer who had been in charge of the original capacity survey.

To provide the necessary supervision of these details and contacts with the governments, the committee, consisting of Mr. Howard, Honourable M. Ralston, and myself, was asked to continue.

HON. MR. NIXON: Who replaced Mr. Ralston on the Committee?

A. Nobody. We dropped from four to three. Nobody as yet has replaced him. The committee consented to do that provided both governments found it acceptable, but stipulated that we should have the assistance of Mr. Kellogg, the engineer, as a fourth member. That was discussed with the governments and they expressed themselves as satisfied with the personnel of the committee, and that is the manner in which the original committee of 1935 happened to continue through the subject of griefs of prorating.

MR. COOPER: There is no Ontario man on that committee now, is there, Mr. Vining?

A. They are not regarded as being either Ontario or Quebec men.

Q. No; I mean the three members of the committee actually came from the Province of Quebec?

A. I happen to live in Montreal, but I am no more a Quebec representative than I am a representative of British Columbia.

Q. Let me put it this way: They are all residents of Quebec?

A. That is correct.

HON. MR. NIXON: The membership of the committee was not prorated?

A. That is correct. For practical purpose. I do not recall that the question of finding a resident in Ontario came up, as a matter of fact.

MR. COOPER: I am not saying that in a critical way.

A. I realize that. But it is a point. I suppose had the members of the

committee been selected from the manufacturers that point would have come up, about having an Ontario manufacturer and a Quebec manufacturer, and so on. I think the general feeling of the governments and the industry was that these people were acting for the industry at large and the two governments jointly.

I think I will interject a word here on the position of this independent committee. The relations between the governments and the manufacturers with regard to the prorating policy have remained in the hands of this committee. The committee has to a considerable degree acted as a liaison officer between the two governments, has provided each government with monthly statistical reports and has also by request of the governments submitted advice regarding situations arising from non-compliance with requirements.

Within its limitations the committee has endeavoured to make the methods followed effective. It must be made clear that authority and means of enforcement have rested only with the governments. Each government has dealt with cases of non-compliance in the manner it has deemed expedient. There has been no provision for joint or uniform enforcement.

This is perhaps an appropriate place to report that the position of the committee has not been an enviable one. If I may interject again, all this has a bearing on the major point I mentioned a minute ago; that at this time in 1936 a great deal of thought was given to policy by all concerned, but none concerned, as far as I can recall, gave a great deal of thought to the administration of it.

MR. DREW: You echo the sentiment of Gilbert and Sullivan that a policeman's lot is not a happy one?

A. Exactly. The manufacturers have looked upon the committee as representing the governments, and the governments have regarded it as representing the industry—thereby a personification of trouble and dispute. The committee has been blamed on one hand for harshness or laxity of governmental action, depending on the point of view, and, on the other hand, has been held at least partly responsible for deficiencies in breaches of policy over which it has had no semblance of control. We perhaps will come again a little later on to the position of the committee when we see the results of the policy.

There are a few things here which I think I can summarize very quickly. At this stage in 1936 there was a change of government in the Province of Quebec, or, rather, a change of administration. Honourable Mr. Godbout took Honourable Mr. Taschereau's place as Prime Minister, in June, 1936, and he had a brief term of office until August, 1936, when the Honourable Mr. Duplessis became Prime Minister.

Mr. Godbout, in that short term in office, examined the agreement which had just been made a month or so previously between the two governments, and advised us that he endorsed the agreement and intended to carry out the policy which Mr. Taschereau had inaugurated. Mr. Duplessis, when he came into power in August, 1936, took the same position. He made known to the committee and those of the industry that he intended to carry out the inter-provincial agreement and the prorating policy which it embodied. When the

Honourable Mr. Godbout again became Prime Minister in the fall of 1939, he again endorsed the policy, and that is the position in which it stands at the moment as far as the attitude of the government is concerned.

HON. MR. NIXON: Have the publishers any preference as to the mill from which they receive their product, or is there any difference in the quality of the products from different mills?

A. Generally speaking, Mr. Nixon, there is no difference in the quality of newsprint. That is a generalization; it must not be taken too literally. Publishers do have a preference for the product of certain mills, that is, some publishers; not all. You are thinking perhaps of whether publishers are obliged to take tonnage they do not want?

Q. Yes.

A. No, that has not arisen.

Q. How can you avoid it?

A. It is avoided in these ways: That there are very few publishers who have such a particular preference for the product of a certain mill that they want to insist on it. There are a great many publishers who find the standard quality of the mills in Ontario and Quebec quite satisfactory. Moreover, a great deal of the allocation of tonnage took place through shipments to overseas markets where practically all sales are on the basis of standard Canadian quality, where that point does not arise at all.

Every effort, I know, is made by manufacturers to avoid any irritation of customers in that way; and where customers have any legitimate objection to quality, of course, they could not be compelled to take a certain product, and no manufacturer would try to force it.

Q. Does not this prorating scheme rather kill initiative on the part of a manufacturer of newsprint to find a market?

A. I am coming to that a little later.

Q. Pardon me.

A. That is quite an important point and I would like to cover it.

I think that is about all I need to say as to the background and the history of the development of the policy, I think we can go now to how the policy has been applied and what its results have been. Just at this stage, as a fresh base for considering the results of prorating, I might summarize the objectives of the two governments in their joint policy as we in the committee and as the industry in general have always understood the objectives to be. These were:

- (1) To obtain a fair division of tonnage, employment and revenue between the two provinces.

- (2) To spread employment and wages among mill towns and communities in order to ease the problem of social relief.
- (3) To promote normal recovery and stability by which working conditions, Crown revenues and public income might improve.

Those are the three objectives as we have understood them.

It had been intended that the prorating policy would apply at once at the end of 1936 for the calendar year 1937. But in 1937 a temporary business boom developed and before the year was very far advanced there was such a demand for tonnage, which had come so quickly, that all the idle mills and machines were not immediately available to meet it. Before 1937 was very far advanced the problem was finally one of supply rather than the distribution of tonnage. Consequently the actual application of the prorating policy was deferred until the beginning of 1938. By that time conditions were very sharply reversed.

MR. DREW: What was the technical position which created that very sudden demand?

A. There were a number of things, Colonel Drew. There was an actual boom in business. Then there was throughout the world—I was going to say particularly in United States but I do not know that it was particularly so there—a stocking up of newsprint by buyers expecting and anticipating rising prices. In the United States the Canadian manufacturers had made a very early announcement of price increases to apply for the year 1938, and buyers, in consequence, proceeded to buy for inventory to quite a substantial degree. You had, shall we say, a natural business boom, which was very short lived, accentuated by the tendency of buyers throughout the world to stock up. The two things combined made a very sharp demand for newsprint. And again the supply and demand situation was affected by the fact that some of the idle capacity in Canada, although efficient capacity, was not immediately available; that is, not available within two or three or four weeks, because you cannot make newsprint by just turning on a tap—you have to get your wood ready, machine crews ready, apart from mechanical matters. Those were the different elements which went into the situation in 1937.

MR. COOPER: What was the price in 1937?

A. \$42.50.

Q. Supposing somebody was venturesome enough to start a mill could he be sure of coming under this prorating scheme?

A. That would be for the Government to say.

MR. DREW: Just on that point, because it has some bearing on the desirability of this method, as I understand it the temporary shortage in mill capacity in 1937 was really created to some extent by an impression created by the Canadian industry itself that there was going to be a uniform increase in price; that the increase in demand here was not due to a corresponding increase in the use of paper?

A. No, that is quite right. That is the second thing I mentioned. There was an increase in the use of paper by the natural business boom which occurred. It was not merely that, but was the buying in advance by American buyers and by buyers in fact throughout the world.

Q. I think perhaps it is important at this point to clearly understand the situation because it might easily lead to false conclusions. There is already a tendency apparent in the statements that one reads in the press to imagine that such prosperity as may be created by war demands in industry will in itself solve some of the problems of the newsprint industry. My own impression happens to be that that is a very unsafe assumption.

A. I would thoroughly agree with that.

Q. You agree with that?

A. Yes.

Q. One reason why I think the point just raised is important for us to consider is that there might be a tendency, if one came to the conclusion that the shortage of mill capacity in 1937 was due to a sudden business boom—there might be a tendency to come to the conclusion that a shortage in mill capacity would result from any corresponding business boom in the United States, which is our main market, in the near future.

A. Yes.

Q. And from what you say I think we would be very wrong to draw that conclusion; that a mere business boom will not of necessity create a shortage of mill capacity in this country that would justify any feeling that we could be safe without some control over the industry. Is that it?

A. What you say is, in my opinion, quite sound. I was going to come to that point, but I think it might be well to clear it up now. There are some prospects, now uncertain because all war factors are uncertain, that before the end of the year there will be a fairly sharp rise in demand for Canadian paper due very largely to the curtailment of other sources of supply; that is, the fortunes of war happen to leave Canada now the main source of supply for the world. What the effects of the war are going to be remain to be seen. But it is quite possible that there will be a very sharp rise in demand for Canadian paper, and I know that that has made some people feel very optimistic, and has made them, in fact, feel as you have intimated, Colonel Drew, that the troubles of the industry are over; and, therefore, the matters that we are talking about here to-day are perhaps no longer of great importance. In my judgment no one could make a greater mistake than that with regard to newsprint. If the fortunes of war do happen to favour us, I should say the greatest favour they confer is that they give us in Canada a period of grace in which to consider these matters and find effective methods of stability for a period of far greater difficulty that is going to follow immediately upon the end of the war. I think we will enter a competitive period at the end of the war more difficult than any we have had.

THE CHAIRMAN: Might I ask this question, Mr. Vining: What is the total capacity of the Canadian mills?

A. I think I had better make sure. I am giving you accurate figures. I happen to have them here. I have them broken down in this way, Mr. Chairman.

The total Canadian capacity as rated for 1940 is 4,367,690 tons.

Q. What is the actual production?

A. May I add to that, that 1940 is a little abnormal. It has 310 working days, whereas the average working year has 309. So there is a little extra capacity, one day.

Q. But these mills are not producing to capacity at the present time?

A. No.

Q. What is the rate of their production at the present time?

A. The mills in Canada in the month of March produced 68.6 percent of their rated capacity.

Q. 68.6 percent?

A. Yes. And that is a considerable improvement over a year ago. A year ago it was 58.6.

Q. So that they could increase their production by 100,000 tons per month before they reached capacity, approximately?

A. Oh, I think it would be more than that.

MR. DREW: It would be more than that, yes.

MR. COOPER: What was March, 1937, Mr. Vining?

A. Our capacity was considerably lower because there have been a great many mechanical improvements since 1937. 89 percent.

Q. That was practically the peak, was it not?

A. Yes. Well, the average for the year 1937 was 93 percent odd of a lower capacity.

MR. DREW: Mr. Vining, I have been struck very forcibly with the impression that is undoubtedly getting abroad, as one reads the newspapers, that these troubles of ours in this industry are going to be solved by war demands. Now, there is a constant suggestion that because of the shutting off of Scandinavian products we are going to have a sudden increase. In the first place, I believe I am right in saying that there is a very general tendency to exaggerate the relation of Scandinavian production in proportion to our own, but, in the second place, the consumers of newsprint I imagine have been buying in advance and these March figures that you have given already anticipate to some extent the elimination of the Scandinavian market.

A. They do not anticipate it. To some extent they are the result of the Scandinavian supply already having been eliminated. There has as yet, so far as we can judge from the statistical reports, been no substantial stocking up. In fact, in the month of March the publishers' stocks in United States diminished by quite a substantial figure, which I do not happen to have in mind. This has been due partly to the stable price policy which the Canadian manufacturers have followed. They have now announced a price good until the end of September.

THE CHAIRMAN: The mills are producing at about 68.6 percent of their capacity?

A. Yes.

Q. If they were working at full capacity they could produce—I figured it up roughly—about 1,358 thousand tons more per year?

A. I have not worked it out but it would be something like that.

Q. These are rough figures?

A. Yes.

Q. So we could increase our exports by well over 1,000,000 tons a year without increasing the capacity of our mills?

A. About 1,000,000, I should say.

Q. Yes.

A. It is always wise to keep this practical point in mind; that no industry as a whole industry could operate at 100 percent of its rated capacity.

HON. MR. NIXON: That is rated capacity, that is not its actual capacity?

A. Yes.

Q. Do not some of the mills exceed that rated capacity?

A. They may exceed it for short periods but not over a yearly period, except by reasons of improvements they may make during that year. Then when their rating is revised for the coming year those improvements are reflected in a higher rating. There might be isolated cases of mills being able to speed up and exceed their rated capacity.

Q. Was there not an eastern mill which over a year far exceeded its rated capacity?

A. I have not any such case in mind at the moment.

THE CHAIRMAN: In any event, we could increase our exports considerably without increasing our mill capacity?

A. Our present rate of exports, yes. Here is a simpler way of finding that out. Last year our total exports were 2,861,000 tons, and our rated capacity last year was 4,293,361.

Q. What was the domestic consumption?

A. Canadian consumption is roughly 200,000 tons; approximately 5 percent.

Q. Would this be a convenient time to adjourn?

A. Yes, certainly.

At 12.35 p.m., the Committee adjourned until 2.30 p.m.

AFTERNOON SESSION

WEDNESDAY, APRIL 24, 1940

THE CHAIRMAN: The Committee will please come to order.

Mr. Vining, will you proceed?

THE WITNESS: When we adjourned, Mr. Chairman, we have reached the point of the actual application of the policy. I had explained that the application of the policy had been deferred in 1937 by more or less a temporary and a more or less artificial boom and the actual application of the policy began in January, 1938.

The conditions in 1938 were exactly the reverse; a very swift depression had come at the end of 1937. There was a drop in the consumption of newsprint and there was a still greater drop in demand for Canadian paper because of the stocking up by buyers during 1937. They had accumulated in some cases as much as six months' supply for use in 1938.

The result was that in the first few months of 1938 the mills in Quebec and Ontario operated as low as forty-five percent in capacity and for the whole year of 1938 operated very little above fifty percent. I think the figure is about fifty-three percent.

So, coming into the year 1938 at its very inception the prorating policy made a very critical test of its effectiveness as an instrument of stability. Its inception was during a period of abnormal difficulty. The general procedure in the method of the prorating policy, I think I covered completely enough this morning and that it centred on this independent committee which I have mentioned and it has been the only approach to a connecting link between the two governments and the industry.

The procedure was that the governments required and the committee supplied monthly statistical reports on each company's individual shipments and their relation to the average of all the mills in Quebec and Ontario.

I should add that these reports which manufacturers also receive, the Committees supplied on this an estimate of the future month's business, necessarily an approximation, and the governments required that each manufacturer would keep his shipments to the average of the industry as a whole. If a manufacturer found himself getting above average, he was required to arrange with other manufacturers to make tonnage and fill his orders for him. The Committee as far as possible warned manufacturers when it could see that a manufacturer was getting dangerously over position, over average, and would endeavour to assist manufacturers to arrange for distributing their tonnage and their orders and having their tonnage made by other mills.

MR. COOPER: Before you leave that subject, who gets the orders? Who goes out and actually gets these orders?

THE WITNESS: Again you need to keep in mind the peculiarity of the newsprint business. As I mentioned this morning practically everything connected with it is on an annual contract basis and under annual contracts. Customers specify each month as to how much they may require for the next month's requirements. A typical or average contract would be between a publisher and a mill for the publisher's full requirements for the year 1940 and the buyer would specify each month, say, about the 15th or 20th of the month, what his requirements would be for the next month. They are not always even monthly amounts; there are seasonal peaks as there are seasonal peaks in advertising. It is not a business of spot orders and of going out day by day soliciting spot business.

MR. COOPER: There must be some way of taking up the slack in the shipping costs of one company and another; that is of what one mill will pay from one place to another and of what another mill will pay from one place to another in order to deliver those orders depending on what mill they come from.

THE WITNESS: Yes. Paper is delivered at a uniform delivery price at the destination. There is room and has been room for economies in just the point you have mentioned, on the shipping from a mill that has the lowest possible freight rates. That was one of the uneconomical sides to this industry which developed during the depression period: You had a crossing of deliveries. You had mills in Quebec delivering to the mid-west while you would have mills in Ontario delivering to New York.

To some degree, I should say, the prorating has worked out an economy in that direction, because naturally effort is made in allocating orders and distributing tonnage to find mills where the freight rate would be lowest. There is room for more improvement in that respect.

In theory, if all mills of the province were under one central control, which is an impossibility, of course, but if that were so, however, there would be room for greater economy in arriving at minimum freight rates. Naturally, competition leads you to some criss-crossing of deliveries.

MR. COOPER: Is there anything goes back to the original mills?

THE WITNESS: They have given some subsidy.

MR. COOPER: On account of loss of business in some way?

A. No, sir. The basis of distributing orders is "No profit" and "No loss". That is, the mill which is over average and which is required to distribute its orders, distributes on the basis by which the short mill,—if you understand what "short mill" is,—obtains a price by which the "long mill" neither loses nor makes any extra money.

MR. COOPER: There is no adjustment of the overhead of the big mill which gets its orders on the portion of the other one.

THE WITNESS: No.

I was starting to say that there have been two major aspects of difficulty in the application of this policy during the last two years. One of them can come under the heading of exempted mills and the other comes under the heading of non-complying mills.

On the question of exemptions, I think I would like to refer to the report I mentioned this morning. The governments have not applied prorating to all mills in Quebec and Ontario. At the beginning of January, 1938, they decided to give exemption to several mills owned or partially owned by United States and English publishers.

Exemption was first given to two mills of Ontario Paper Company, owned by the Chicago Tribune and its associates, including the new Baie Comeau mill already mentioned. The exemption was granted on the strength of a memorandum from the company to the two provincial premiers and based on this case of exemption, certain exemptions were claimed and granted to the Spruce Falls Mill, in which the New York Times is a part owner.

The Donohue Brothers' mill in Quebec, which was then under lease to Hearst, and the Anglo-Canadian mill in Quebec, which is owned by the English publishers.

The committee was informed by the two governments of this decision in January, 1938, and the committee was informed that the exemptions would apply for the year 1938 and that the position beyond 1938 would be determined later.

There has been no further statement with regard to exemption policy and the exemptions therefore have continued to date with the exception of the exemption given Donohue Brothers in Quebec, which Premier Duplessis cancelled when the Hearst lease came to an end towards the end of 1938.

MR. COOPER: That only applied to the mills where the financial publisher made the financial investment himself.

THE WITNESS: Yes. It applied to the mills I have mentioned which were either wholly owned or partly owned by United States and English publishers.

I would like to say this: This question of exemptions might well take up a whole report in itself. It is a long involved and controversial question. I think it would help you very little if I were to go into the pros and cons of it here this afternoon. It is an important aspect of the prorating policy, has had quite an effect and has a present effect upon its effectiveness and continuance and must be kept in mind in that light, but I think you gain nothing by having me go into all details of the argument at the present time.

However, I think I should in a general way give you an idea of the extent of the exemptions and what the committee believes to be their present effect. If I may refer now to the report which I mentioned this morning, I will give you the view of the committee and I would like to remind you that what I am saying represents the experience of this independent committee as a whole and is not merely my personal view except where I say so.

When these exemptions were granted in 1938 it is improbable that either of the premiers or the governments could visualize their extent or the effect they would have on equitable division of tonnage between the provinces and certainly no person two years ago could foresee the bearing which these exemptions have to-day on the effectiveness of the joint policy.

In extent the exemptions now amount to over 400,000 tons a year. Last year they applied to one-sixth of the total business of the two provinces. In Ontario the exempted tonnage was 28 percent of provincial shipments; in Quebec it was ten percent.

MR. DREW: 28 percent?

THE WITNESS: Yes. Expressed in operating rates, the exemptions last year, in 1939, made a difference of about five points in the industry average. Last year the prorating mills in Quebec and Ontario averaged 50 percent of capacity. With no exemption they would have averaged about 63 percent. Is that quite clear? The exempted mills are one hundred, naturally, and the prorating mills are 58 and had there been no exemption the general average would have been 63. The difference is equivalent to the total business improvement of 1939 over 1938. That is, in 1938 the prorated average was 53 percent; in 1939 it was 58 percent; a difference of five points.

The exempted capacity ran full in both years.

With respect to the effectiveness of prorating, the committee finds that the deterioration of policy in recent months,—which I will come to in a few minutes,—has been considerably due to this exemption and the inconclusive state in which the question of exemptions has been left. It is for this reason that exemptions have been used by other manufacturers as a reason for declining to comply with the prorating policy and the exemptions have created widespread bitterness among mills and workers particularly in Quebec who feel that they are being discriminated against.

In these respects and in the effect on interprovincial division of tonnage, the practice of exemptions during the past two years must be reported as operating to defeat the main objectives of the agreement between the governments and

for these reasons in the committee's opinion it seems obvious that the subject requires a new and thorough consideration. They do not suggest what that consideration should be nor what the conclusion should be.

MR. COOPER: I have no brief for any company, in particular,—in fact I do not even know who they are,—but would you not say on the face of it that there would be some international complication if these exemptions were disallowed?

THE WITNESS: No, I would not say international complications.

MR. COOPER: Here is a publisher who has capital in a mill and it would certainly interfere with vested interests; would it not?

THE WITNESS: If you do not mind, Mr. Chairman, I would prefer to not get into the pros and cons of exemptions. It is a subject on which there is room for a considerable difference of opinion.

MR. COOPER: Then I will withdraw the question. I do not want you to get into a long discussion on the question.

THE WITNESS: No, but I think that is what we would get into. I, at the moment, am in a perfectly detached position in regard to the question. If it were handed to me this afternoon for decision, I do not know what my conclusion would be.

All I should like to report to this Committee is the belief of the independent committee that the subject requires new consideration.

I should add that whatever the settlement of it is, it should be a settlement which will satisfy the Canadian companies as to its fairness.

MR. DREW: In that respect, without in any way questioning the motives of your desire to not discuss the matter, I might point out that we come again to the very difficulty which we have faced at so many points in this discussion.

THE WITNESS: Yes?

MR. DREW: The patient is very sick, there is no question about that, and the disease has been diagnosed to some extent but then when the consultation gets to the point where it is a question of deciding how deep or where to cut, then at every point we find the suggestion that it is not wise to go too far in discussing the method of cutting, because we may possibly injure someone's feelings in connection with it.

Now, I am not saying this in any critical way, but it is a very striking matter, because I would suggest that the patient is sick and as the patient is obviously very sick in this case, there has to be some fairly deep cutting if the ill is to be remedied. I am wondering where this Committee of inquiry has to go in order to find out the answer, because it seems to me that that is the answer.

MR. COOPER: Mr. Chairman, I think probably it should be from another witness. This man is apparently in a dual position.

HON. MR. HEENAN: I can see the position Mr. Vining is in. This is a matter which has been decided by the two governments, whether rightly or wrongly, and he does not want to be put in the position of saying that they decided either rightly or wrongly.

THE WITNESS: I think I implied that it may not have been decided rightly when I suggest very emphatically that it needs reconsideration.

MR. DREW: The point I am making is not in any way by way of criticism of your suggestion that you would prefer to not discuss it further, but I am merely indicating one of the difficulties we are confronted with in trying to find some solution. It appears to be quite obvious that this whole question of proration is one which cannot be separated from a consideration of the administration of the Department, because the two matters are now tied together, and the history of proration, I am prepared to say emphatically, in most other similar arrangements has not proved too satisfactory and as I understand it, one of the major reasons for the breakdown in the proration system elsewhere has been in exemptions which would, as you have pointed out, lead to friction or misunderstanding which in turn would lead to unwillingness to comply with the strict rules.

Without asking you to go further than you have, I would ask you if you have any suggestion as to where we can go to get more complete evidence on the better way of working this out.

THE WITNESS: On the one question of exemptions?

MR. DREW: Exemption in relation to proration, because this is not a new problem at all. I think practically in every case where large scale proration has taken place the problem of exemption has come up and certainly in the case of some industries right in this country the exemptions have defeated the original plan of what you might call proration in any one given industry.

MR. COOPER: I do not think we have any other industry which has proration of this particular kind which we are discussing here.

THE WITNESS: There is no other industry that I know of which has inter-provincial proration.

MR. COOPER: I mean these American companies; it is a different thing entirely; it is a matter of production or distribution.

THE WITNESS: Well, there are various degrees of prorating in American industries. There are some examples which I will give you, if you wish, before I finish.

MR. DREW: I do not want to elaborate the point, but I have been impressed with our difficulties in getting down to fundamentals in so many cases. I can quite understand the difficulty, but this, it seems to me, is once we must try to break through in some way. While we have been discussing this question I have been looking for light as to where we can break through the whole problem.

When you say there has been no similar proration, there has been proration. There is a trial going on in the City of Toronto at the present time in regard to what is in effect proration in a particular industry. I am referring to the trial of those who had organized a method of proration within the paper box industry,—an industry strange to say, closely tied up with our forest products. That type of proration has gone on in many kinds of industries and we know perfectly well that while there may be one trial going on at the present time it has been a general practice in a great many industries. I can say from a personal knowledge of at least two industries, that exemption was the thing which broke down any attempt at enforcing the general plan of proration within a particular industry.

MR. COOPER: Colonel, is that not true in the case of combines in the curtailment of general production; I refer to the proration of which you speak.

MR. DREW: I am only pointing out that those methods are really in effect proration, no matter what the purpose may be.

THE CHAIRMAN: Mr. Vining, I believe, does not care to give his opinion on that point and I do not think it would be fair to question him further. I suggest that he go on with the next point.

THE WITNESS: I would like to try to make it a little clearer as to what my attitude is on this point. What I am trying to give you is a comprehensive view of the whole policy, how it has been applied and where it stands to-day. In that general view the question of exemptions is one major factor.

Now, if we stop to debate the question of exemptions, that can be a subject of inquiry in itself. I think I have indicated enough for you as to a conclusion of that question when the committee reports that it finds the deterioration of policy during recent months considerable due to the above exemptions and to the inconclusive state in which the question has been left, because exemptions have been used by other manufacturers as reason for non-compliance and I refer to the widespread bitterness they have caused among mills and workers. For these reasons it is obvious that the question of exemption requires a new and thorough consideration. That is as far as the independent committee thinks it should go.

If we are questioned by governments as to our view, that is another matter, but I do not think this is the place to enter into the debate of that particular phase of the general policy. I do not think it would be becoming of me, for one thing, and I do not think it would be helpful in any sense.

THE CHAIRMAN: You just pointed out you are an independent committee and you do not want to go any further, so proceed with the rest of your remarks.

THE WITNESS: The other general aspect of the difficulty in the past two years, as I mention, has been the matter of non-compliance on the part of certain companies and here we come to a place where the Province of Ontario has had the major share of difficulty.

I think it was quite clear this morning in the various incidents I reviewed that in 1934 and 1935 the major part of the difficulty seemed to rise in the

Province of Quebec. Within the last two years that has been reversed and I should say the Government of Ontario has had the greater part of the difficulty. There have been four definite cases of non-compliance in the last two years and in each case there has been a degree of governmental action to correct them.

In Quebec there were a number of incipient cases of non-compliance at the beginning of 1938.

To meet them Premier Duplessis called a meeting of Quebec manufacturers in his office on April 4th and made his intentions so plain that the companies in question were conforming to requirements before the middle of the year. Some of them had already piled up excess over average and in order to conform to the requirement of meeting the industry average, were obliged to distribute orders and operate themselves at about thirty percent of capacity for a three months' period.

One case in Quebec involving Donohue Brothers developed in the year 1939 and has been partially but not yet fully settled.

Within recent months there have been new cases of this kind developing in Quebec and we believe them to be due to the continuance of exemptions and to the continued inconclusive state of affairs of non-compliance in Ontario.

In Ontario there have been three cases. Two of them began immediately in 1938 at the start of prorating and involved the Beaverwood Fibre Company and the Great Lakes Paper Company. The third case developed in 1939 and concerned the two Canadian subsidiaries of Minnesota and Ontario Paper Company at Kenora and Fort Francis. For the sake of brevity I refer to these two subsidiaries as the "M. & O."

In each of these three cases the Ontario Government has taken action to require compliance. The action taken by the Government has been very prolonged, troublesome and difficult, but as yet the three cases have not been brought to conclusion.

I think I should point out to the Committee that in the Province of Ontario you have a peculiar situation in the newsprint industry which may partly explain the added difficulties of the Ontario Government. In Ontario there are seven newsprint companies. Only one of these seven is a small company which has its woods operations in Quebec and is the only one which can be described as being in a more or less normal condition. The other six are abnormal in the following way: Two of the six companies are Ontario Paper and Spruce Falls. They have been exempted or partly exempted to the extent of 28 percent of the province's total tonnage, the exempted capacities running full. The three other companies of the six are Beaver, Great Lakes and M. & O., which are cases of non-compliance and at the moment are over average by a very substantial amount. The sixth company is Abitibi, which as you know is in receivership and is now substantially short of average because of the non-compliance of these other companies.

But when you picture that line-up of six companies I think anyone can see that the Ontario Government has not found it easy to handle newsprint difficulties with the method of procedure which has been the only method available to-day.

MR. DREW: Have we any completely exempted companies in Ontario?

THE WITNESS: Yes; the Ontario Paper Company is completely exempted and Spruce Falls is partially exempted. So, you keep in mind those two major aspects and if you wish I will come back again and go into details on them.

The one major aspect is the kind of exempted mills and the situation created by these exemptions. The other major aspect, taken as a group, are these cases of non-compliance, of which the major cases are in the Province of Ontario. You have four cases of non-compliance; one in Quebec, Donohue Brothers, which has mills in a state of suspension; three in Ontario, one of which is more or less in a state of suspension and two of which might be regarded as the focal point of all the present difficulties in the application of this policy, these two being the Great Lakes and M. & O. cases. As I say, I will come back to the details of these cases if you wish, but I would like to first give you a general view of what the results of prorating have been and where things stand at the moment.

I think I would like to briefly review the present position of tonnage distribution, because the present state of tonnage distribution is a means of judging how effective the prorating policy has been with regard to its objectives of getting equitable distribution of tonnage.

We have these four cases of non-compliance and the continuance of these cases affects the position of other companies in two ways and this is where you get, as these cases of non-compliance continue, a deterioration of policy and stability. They affect the position of other companies in two ways. First, manufacturers begin to think it is safe for them to ignore governmental authority and they refrain from distributing their tonnage and begin to pile up over positions of their own. One case proceeds and another and secondly, other manufacturers eventually acquire such shortages that they too begin to think they had better risk governmental displeasure and seek tonnage by any means they can devise. That is how you gradually come to a deterioration of stability and begin to get a return to cut price tactics and the sort of thing this policy is intended to correct.

At December 31st, 1938, after the first year of governmental prorating, the variation from the industry average among all the Quebec and Ontario prorated companies was only 29,000 tons, which was an extraordinarily good result. The two cases of Beaver and Great Lakes alone accounted for 24,700 tons, or 85 percent of the total deficiency. That is, among all the other companies of the two provinces who were being prorated, there was an average of only 4,300 tons.

At the end of 1938 despite the great difficulties of the year the application of governmental policy had been remarkable effective. The incipient cases in Quebec, as mentioned, had been firmly checked and action in Ontario was being taken.

I am sorry to have to report that in the past fifteen months,—that is between the date of December, 31st, 1938, and the end of March, 1940,—there has been a deterioration. Two more cases of non-compliance developed during that period and two other situations have become doubtful.

The total variation has increased from 29,000 to 80,000 tons. The average represented by Beaver and Great Lakes was up substantially from 24,700 to 37,000 tons, but it now represented only 46 percent of the total, because other companies had followed their example and the average of the other companies was up from 4,300 to 43,000 tons, and of course that means that the shortages of companies under average had grown accordingly.

So, you can sum up the position at the end of March in this way: Companies over-average included four cases of non-compliance, which I have mentioned, totalling 60,000 tons, three in Ontario being 57,000 tons and one in Quebec being 3,000 tons.

Two new doubtful cases developing in Quebec amounting to 13,500 tons and six casual situations, month to month variations of 6,500. There is your 80,000 tons over-average. All that has fallen,—or the greater part of it,—on two companies, which between them are 60,000 tons under position.

There are two other companies in Quebec which between them are 17,000 tons under. There is your 80,000 tons under-average.

I must make it clear that the figures I have mentioned represent only the companies which the Ontario and Quebec Governments had included in prorating. They do not include the mills which the governments so far have exempted, although I mentioned them.

The exempted tonnage now amounts to something over 400,000 tons a year. I have already pointed out that the exempted capacity has run full during the last two years as compared with the prorated industry average of 53 percent in 1938 and 58 percent in 1939. Complete prorating last year would have raised the industry average to about 63 percent. That is the general position of the companies.

Now, you have to take into consideration the position of the two provinces with regard to distribution of tonnage. We must keep in mind that the first objective of the prorating policy had been to secure an equitable division of tonnage between the two provinces. In the actual application of the policy that objective has been obstructed by two factors which I have already mentioned,—two unforeseen factors, we might call them—the first being the fact that the major cases of non-compliance so far have all developed in Ontario, the second being the fact that the greater part of the exempted capacity in relation to Quebec has been in Ontario, the ratio being about three to one.

Because of these unforeseen factors you have a division of tonnage between the two provinces thrown out of balance, naturally. Instead of having what was intended to be an equitable or even division between the two provinces, you have had in Ontario in 1938 shipments representing 63 percent of total Ontario capacity, against 55 percent in Quebec. In 1939 the provincial averages were 67.7 for Ontario and 60.1 for Quebec.

MR. DREW: What average for Quebec?

THE WITNESS: 60.1 That is, total shipments of the two provinces, both exempted and prorated companies.

MR. DREW: It is not yet on the record but it may be interesting to have the absolute figures on the basis of comparison; that is, I mean the exact tonnage that represents.

THE WITNESS: That represents a difference, approximately, of 70,000 tons a year.

Q. I do not mean the difference, I mean the basic figures. During 1939, what was the total tonnage?

A. The actual shipments? I haven't those figures here, Colonel Drew; I can easily send them to you afterwards.

Q. That, of course, can be put on the record, but at the moment can you give a general approximation of the relative position of the two provinces in that respect?

A. I can give you a general figure of their capacities and the percentages. That would serve the same purpose?

Q. Yes.

A. I will give you an approximation.

THE CHAIRMAN: Perhaps you have not the figures here. In that event you might send us a letter or a statement showing the rated capacity of the Ontario mills and of the Quebec mills and the production in tons for each province in 1938 and 1939.

A. Yes. I have given you the percentages. What you want are the actual figures of tons shipped?

THE CHAIRMAN: Yes.

MR. DREW: Is Ontario higher or Quebec?

A. In tons?

Q. Yes.

A. Oh, Quebec is much higher. Quebec has a much greater capacity than Ontario.

Q. I would not want you to guess. It would be better to wait.

A. I think I had better send you the exact figures. They are not included in what I have here, which is not intended to be a statistical report.

Q. No.

A. The total capacity of Quebec and Ontario combined, in general figures, is about 4,000,000 tons.

THE CHAIRMAN: You gave those figures, I believe.

A. I gave you the Canadian total. I am speaking now of Quebec and Ontario. I should say approximately 2,500,000 in Quebec and 1,500,000 in Ontario, but please don't hold me to those figures.

HON. MR. NIXON: Does that take cognizance of the mills in Ontario that are closed entirely?

A. No. You mean the mills that are rated as closed?

Q. Yes.

A. No. This is effective capacity.

MR. DREW: I do not want to interrupt the order in which you are going to introduce it, but were you going to deal later on with that question of effective capacity in the closed mills?

A. Yes.

Q. That is the point I have in mind. I understand that at the time this arrangement was made there were certain mills that were closed in Ontario, and they are treated as zero?

A. No, I would not put it that way. A closed mill is not necessarily an ineffective mill. Actually, in 1935 and 1936 when this was developed, there were quite a number of closed mills in both provinces. The ratings of capacity by the engineers was on a standardized formula or a form of a certain standard of efficiency. Any mill falling below that standard of efficiency was rated as zero. The other mills were rated in accordance with their actual performance above that standard. Is that the point you mean?

Q. Yes.

A. There have been, I think, all told two or three or possibly four cases of mills which have fallen below the standard and which have been throughout this period rated as zero. In the case of a mill which is shut down, but which is regarded as effective capacity, the engineers ascertain how quickly that mill could be made available for actual production. I am not certain at the moment what the time limit is, but, if it cannot be made available within a certain fairly short period of time, it is rated as not available, which is zero.

MR. COOPER: Are all the companies satisfied with the engineers' ratings?

A. Yes.

Q. There is no argument about them?

A. No. I perhaps should have touched on that before. When the original survey of capacities was made it was the first time in the industry's history, I believe, that effective capacity ratings had been established, which the mills

regarded as being competent and satisfactory. Before that time the question of capacity ratings had been a matter of constant controversy.

THE CHAIRMAN: You mentioned the fact that certain mills were obsolete, and for that reason they were counted as zero?

A. Yes.

Q. If there was an extremely large demand for Canadian newsprint, could these obsolete mills be put back into production?

A. It would depend on what the price was. I should think it would depend on that. Or let me take an extreme example: If the price went to \$100.00 a ton, yes, they could operate.

Q. It is a matter of the cost of production?

A. Quite, yes.

MR. DREW: It is somewhat similar to the increase in price of gold, where low grade mines have been able to produce?

A. Exactly that. I must say this, that I have kept rigidly out of the question of capacity ratings. That is a problem for the engineers, and I do not pretend to understand their formula nor do I engage in it in any way. As a general principle, I should say the formula of efficiency, which of course does involve production costs and price levels,—the test would be as to whether a company loses less by having the mills shut down or by operating. I won't say "makes more," but loses less. It would not necessarily follow that the mill to be effective would make money, but it would lose less operating than it would shut down.

Now, at a price of \$75.00, let us say, mills which could not operate at \$50.00 might lose less operating at \$75.00 than being shut down, and could then go into production. It is a purely commercial test.

HON. MR. HEENAN: I do not know which of these gentlemen asked you the question, and I do not know whether or not it was made clear, but I think you were reading from your report that Ontario had sold so many tons which represented a certain percentage ahead of what they were entitled to?

A. Yes.

Q. I forget the figures. I do not know whether you gave the figures.

A. I gave it in this way: In 1939 the Ontario shipment average was 67.7. Quebec was 60.1. Is that what you mean?

Q. That is it.

THE CHAIRMAN: Mr. Vining is going to send us the figures in tonnage.

THE WITNESS: Now I should like to come to what is really the subject in

which I imagine you would be most interested, and that is an appraisal of the results of this policy during the last two years, its good points and its deficiencies, as we see them.

The Quebec and Ontario governments have now practised prorating of newsprint for the last two years, a period long enough to provide experience in place of theory and to permit an appraisal of the policy in the light of actual results. As is to be expected in the first stage of any new policy, these two years have uncovered some considerable deficiencies. Some of the deficiencies are inherent in the policy. Most of them belong to the methods by which it has been applied.

It becomes clear now after two years of practice that sufficient thought was not given to details of application and enforcement when the governments made their agreements and decided to embark on this policy together.

Most of these deficiencies appear to be capable of correction. We report them with no desire to be critical of governments, or of manufacturers, and still less with a desire to disparage the improvement which has been achieved, but in order to throw light on changes which seem essential if the governments intend the policy to be effective.

In appraising these results I wish to remind you again briefly of what the objectives of the policy were:

- (1) To obtain a fair division of tonnage between the two provinces.
- (2) To spread employment among mill towns.
- (3) To assist recovery and stability of the industry from which improvement of wages, working conditions and Crown revenues would be expected to follow.

With regard to the first two objectives, that is, the division of tonnage between the provinces and the spread of employment, the results may be summed up very briefly by saying that they have been only partially achieved.

It must be obvious from the figures I gave a few moments ago of the distribution of tonnage between companies and between provinces that these two objectives have not been fully attained. They have been partially attained. They have been only partially attained because of certain deficiencies in the procedure and method for administering this policy. To be more specific, in our opinion because of the lack of provision for joint application and joint administration.

We come now to the third objective which was to promote recovery and stability. And with regard to this objective very much more complete results have been accomplished. And they are results which have been in our opinion—and obviously on the facts—extremely worth while for this country as a whole, and certainly for these two provinces.

I should like to enlarge a little bit on the degree to which the third objective has been accomplished, and immediately following that the degree to which its continuance is now in danger.

To measure results with regard to this third objective of recovery and stability, we need to keep in mind the condition of this industry in 1934, which I described briefly this morning. I am just going to remind you of the conditions which prevailed in 1934. Half the industry in receivership, or its equivalent; the disgraceful wages to Canadian workers, particularly in the Quebec woods; the number of shut down mills; the dwindled public revenues; the interlocking contract vice that I described this morning; sharp practices and distrusts and ill will that prevailed in industry, and the artificial depression of prices which persisted in the face of rising business.

Or to sum it all up, as I described it this morning, in 1934 you had this great Canadian industry in a state of collapse and seemingly without any power of self recovery.

When I speak of the artificial depression of prices which continued, I should like to mention that prices in 1934, 1935 and 1936 remained at the lowest level in some thirty years, although volume of tonnage, volume of business was rapidly improving and all other commodity prices were tending quite sharply upward. There was an artificial depression of prices due very largely to the interlocking contract system which I mentioned this morning.

Now, compared with that I should like you to consider the state of the industry as it stands to-day, and I should like to describe that state in these words: The state of the industry to-day is still far from what it should be in relation to its national worth, and in relation to the competitive forces it must be equipped to meet. But in comparison with its past, the recovery has been worth while.

It is true that newsprint prices have continued to drag below the level of other commodity prices, but they have at least pulled out of the bog they were in to reasonably solid ground, and there has been marked stability for both buyers and sellers.

It is also true that investors are still getting no return on a great part of the money they put in to build up this industry. Those who feel impatient with the industry's position must keep in mind that this industry is in fact engaged in the newspaper publishing business, and the long term trends of this publishing business do not show great strength.

Even with these limitations the recovery has been very much worth while for Quebec and Ontario, and for the country as a whole.

Comparing 1938 and 1939—two years—with the two years, 1934 and 1935, one finds that with approximately the same volume of shipments the industry brought into this country some 40 to 50 million dollars of additional cash income. Investors received little of this, it is true, but many thousands of families have been better off. In the Quebec woods, wages have doubled since 1934. There has been a substantial improvement in mill wages. The industry has carried a much greater load of unemployment relief, more money has been spent to conserve timber resources, Crown revenues have come up substantially, and, in general, the public forests have begun to pay something to their owners, their owners being the public, of course.

I do not wish to suggest, nor does any member of the Committee wish to suggest, that all these results which I have just described should be attributed to the policy of the two governments. I am firmly convinced that it is true that without the action of the Ontario and Quebec governments in establishing prorating and in declaring themselves against unfair trade practices there would have been no such recovery as the industry has had, nor would this recovery have been sustained throughout 1938 and 1939.

To put it a little more simply perhaps, I would not attempt to say that the recovery of the industry has been all due to the prorating policy. I would, however, say that without the prorating policy the recovery would not have occurred, nor would it have been sustained in these last two years.

The prorating policy of the two governments brought heart to an industry that was thoroughly disrupted. I beg your pardon, Mr. Heenan; did you say something?

HON MR. HEENAN: That was a half-hearted compliment.

WITNESS: The policy of the two governments has brought heart to an industry that was thoroughly disrupted. It relieved the manufacturers of their obsessions about tonnage. It gave them hope that they would receive a fair deal, and it allowed them the chance to seek a normal recovery approaching that of other industries.

If you wish me to, I will explain one or two points there of what I mean. I emphasized this morning, and I emphasize again, that one of the great obstacles this industry had in 1934, 1935 and 1936, to reaching, a normal recovery such as other industries were reaching, was this interlocking contract business. The only way manufacturers could escape from that was, as their contracts expired, to decline to renew contracts on that clause in them. The prorating policy gave them the courage to do that, because with prorating the manufacturer felt that if his customer took his business from him because he refused to renew the interlocking clause, under prorating he would eventually get his fair share and would not be ruined. In our opinion it was only with that foundation under the industry that manufacturers were able to escape from that interlocking feature, and, in my opinion and the committee's opinion, that has been the key to the industry's recovery.

It cannot be said that the prorating policy has been popular among the manufacturers, many of whom found it irksome and are resentful of the way it has been handled. But most of them, at least, recognize the above effects of it, that is, the effects of recovery and maintenance of the recovery. And most of them also realize their responsibilities to the governments and the public and have genuinely endeavored to carry out what was required of them.

To sum it all up, I would say that the part which governmental policy has thus played in the industry's improvement and in the social benefits derived from this improvement has more than justified the policy from the standpoint of public interest.

The results in our opinion far outweigh certain deficiencies of the policy which I shall come to in a minute.

On these results alone there should now be every effort made to correct the deficiencies and application and method which to date have prevented the policy from exerting its full effectiveness with regard to the equitable distribution of tonnage.

We believe, should ineffectiveness in this respect continue, it will not be long before the policy ceases to be an instrument of stability.

I was about to proceed, Mr. Chairman, with some points, if you wish me to, on the deficiencies in the policy itself, and there are some of them, and then the deficiencies in the method of administration to date. Before I proceed, if there are any questions on what I have just said, perhaps we could dispose of them. All right?

Any form of prorating or of quotas has certain inherent weaknesses, and usually it is accused of other weaknesses by people who have various reasons for wishing to upset it.

The above has been found true in the case of newsprint prorating in Ontario and Quebec. It has certain fundamental deficiencies, and a number of others have been attributed to it, either through honest misconception or through a desire to defeat it regardless of public consequences. So I want to deal with the deficiencies of the policy under two headings: first, what we believe are actual deficiencies, and, second, what we might describe in our opinion as erroneous criticisms of it. But let me make this clear, I am speaking now of the actual policy itself and not of its method of distribution.

The actual deficiencies of prorating may be described briefly by saying that it is a negative rather than a positive policy. It is a preventative rather than a stimulant. A prorated industry is in danger of becoming complacent and un-aggressive. They are the same deficiencies one finds in a dole system. This is the point, Mr. Nixon, about which you asked me this morning and I said I was coming to it.

Prorating does give an industry security and stability in which to cope with its problems in an orderly and normal way. It does eliminate fratricide, but it would be a mistake to be carried away by these merits into supposing that it is a cure-all. It definitely is not. As a cure-all, prorating is no more effective than sedatives which are used to compose the patient and relieve his worst pains. A great deal more is needed to make the patient healthy and active. The danger of complacence is not to be ignored. It lies in the risk that individual manufacturers may come to rely on prorating as their means of obtaining business, and either to minimize their expenses or, from lack of enterprise, they may not maintain an adequately aggressive sales effort. This does not appear to have developed among the Ontario-Quebec newsprint manufacturers to any degree which might be called disturbing, but the committee believes that there are some symptoms of it.

Governments, manufacturers and all those concerned in this industry need to keep constantly in mind that prorating can never secure a ton of business.

It may in fact be used by competitors to make business more difficult to

obtain. Prorating is merely a method of distributing and stabilizing the business which is brought in. It will help to secure recovery from collapse, as it has done, and to prevent recurrence of collapse, as it has also done; but no matter how well handled it will never of itself bring volume of tonnage. The getting of business and the terms upon which it can be got, that is, the price, will always be governed by world competition, requiring positive, aggressive and enterprising effort.

The Ontario-Quebec mills in normal times must contend with competitors who have these qualities and who also have certain well-known advantages of one kind or another and whose combined capacity is considerably superior.

The moral of all this is very plain indeed. Prorating needs to be supplemented by more positive and active measures. Patients must not be just soothed but must be made vigorous. In other words, for the public interest of Ontario and Quebec and of the country as a whole, this industry does need prorating or its equivalent as a social measure and stabilizer. But it also needs energetic, competitive measures, and it needs to be encouraged, or, if necessary, prodded into these measures.

In this respect I should like to draw attention to a statement made last year by the Honourable Mr. Beckett, who is Chairman of the Westminster Bank of England. He made a number of brief statements which sum up very much the thoughts on this point. Speaking about the position of English industries he said:

"Our industries cannot hope to compete successfully in foreign markets unless each is organized, so to speak, to negotiate and bargain as a unit. Such a course would afford more scope for economy through the elimination of redundant sales machinery, and, at the same time, the pooling of resources, information and market knowledge, would enable a more efficient and progressive service to be established."

I would sum this thing up in another way by saying: The deficiency of prorating as a policy is that people are liable to look upon prorating as the whole cure. It is when prorating is relied upon by an industry or a group as the whole cure that it soon becomes deficient as a cure. Prorating is only half of the story. It is a stabilizer, a preventative. It does need to be supplemented by the positive half; that is, the aggressive, competitive effort, to get volume of business. I think that is an extremely important point, and I should like to emphasize it. I hope I have made it clear, but perhaps I have used more words than I needed to use.

HON. MR. NIXON: Where is that effort going to come from, from your committee?

A. No, that can only come from the industry.

THE CHAIRMAN: From the industry itself?

A. Quite right. But if necessary the manufacturers may need to be prodded into such an effort. The risk, Mr. Nixon, is what I mentioned before; that

you may find with prorating certain companies believing that they can reduce their sales costs; that they will let other companies go out and get the business and believing that they will share in it. In other words, that all companies will not pull their own weight in the boat in getting volume of business for the whole industry.

This may be a good point to go back to the example I mentioned this morning, Finland. In Finland you have all producers in the country, with one exception, combining those two requirements; in other words, the requirement of a stabilizer, and the requirement of getting business through one central sales organization. That central sales organization goes out and sells and gets business for Finland as a whole. Then the business it obtains is prorated among the producers. So through the one system you have the two things accomplished. It is the second half, not at the moment, but eventually, we shall need to give attention to.

THE CHAIRMAN: Who supports that sales organization in Finland, is it the different manufacturers?

A. Yes, it is an incorporation in which the different producers are . . .

Q. Shareholders?

A. Virtually. I mean, the equivalent of that.

MR. COOPER: You said this morning that they all belonged to that organization except one company?

A. Yes.

Q. How does that come about? I am interested to know why this company is out of the organization?

A. I cannot tell you the history of that; I do not know. But the one company which is not in this particular organization works very closely with it. In some of our markets, in fact some of our overseas markets, this one company and the other group use a common agent, so that in a good deal of the selling even those two are together.

MR. DREW: Isn't it a fact that that one company is supported by foreign capital?

A. The one company that is outside?

Q. In Finland, yes.

A. I cannot answer that; I do not know.

Q. I was led to understand that that was the situation.

A. There is no secret about it. The company outside is the Kymmene Company. I do not think that is a foreign company, but I do not know about that.

I have here a breakdown of world newsprint capacity, if you would be interested in having it. It comes in on this point. I mentioned that the Ontario-Quebec mills in normal times, that is, putting war conditions aside, must contend with competitors who have certain advantages and whose combined capacity is considerably superior, and I have here a table of these capacities.

Q. Just before you go into that, would you disagree with this proposition, that in the case of prorating such as you have here covering the whole industry, which must depend almost entirely on foreign markets, that there is a very serious danger of the companies losing in sales effectiveness under that system when they come to compete at some later time with an increased selling activity on the part of other competitive nations? Is not that a serious danger?

A. I would not say that is a danger for all companies. The danger is that some companies in the industry, to use a slang expression, may want to let George do it for them. They may want to save their own sales expenses, or they may naturally become indolent and hope that other members of the industry will attend to getting volume of business in which they will share.

Q. It seems to me that this is a logical result; if there is a certain total volume of business for Canada, 95 percent of which is export, and the companies are compelled by this arrangement to adhere to a certain fixed division of that foreign market, then the natural function of the selling organization of any one of these companies is to some extent defeated, because the selling organization of any company must ordinarily be finding ways and means of increasing its sales?

A. Yes.

Q. Under this system there cannot be any great possibility of increasing sales, so that I would imagine there is a complete lack of activity in the department.

A. No; there is something there I am afraid I must have failed to make clear. This method of prorating has nothing to do with limiting the amount of sales. On the other hand, there is every incentive to every manufacturer to get every ton of business he can, because that improves the industry's average.

HON. MR. NIXON: Yes, but his share of it is infinitely small, compared to what he would get by his own initiative.

A. It is all relative, Mr. Nixon. The difference of two or three points in the industry's average means as much relatively to the small company as to the big company.

THE CHAIRMAN: If you had a central organization for the whole industry, would not that remedy the deficiencies you have mentioned?

A. That would be the ideal, I should say, Mr. Chairman, yes. But that is what they have in Finland, as I have described.

Q. Yes?

A. Giving you now my own opinion I would be afraid that an attempt to set up one single sales organization for the whole Canadian industry might defeat the very purpose we have in mind, the purpose being to get volume of business. I would be afraid it would defeat that, because it would be misinterpreted by the buyers. I am afraid buyers would not believe that that company had been created for competitive purposes.

MR. COOPER: As long as they got the price, that is all the buyers would care.

A. Yes. Over a period they might come to have confidence in it provided wise price policies were followed. I would be afraid, however, that at the start they would not believe it was set up to compete with foreign countries, but, as would be natural with any buyer, they would be afraid it was set up as a monopoly and going to boost prices.

MR. DREW: Of course, they would have reason to believe that a possibility for the time being, in view of the fact that practically every similar arrangement that has been made has attempted that at one time or another. We have had experience of that ourselves.

A. Yes. I would like to make a few more comments on your point, Mr. Chairman. There is no doubt in my mind, putting aside the fear I have mentioned, one single sales organization in this country would be the ideal competitive weapon. It could eliminate duplication of sales costs to some extent; it could accomplish the combined economy which somebody mentioned this morning in arranging deliveries from the most suitably located mills to certain destinations; it could act much more quickly and alertly in dealing with unified competition of foreign producers. But I have that reservation in my mind as to its effect on the market.

HON. MR. HEENAN: Would it not also eliminate the thing that brought the industry to the position in which it was in 1934, where so many salesmen, or, as we used to call them, commission men, were going out and attempting to get business by hook or by crook?

A. Quite. It would, and it would permit you to have probably a higher grade of sales personnel.

What is going through my mind is what I have often thought of, perhaps not that extreme form of one huge sales organization for all Canada, but a greater concentration of sales effort than we have at the present time, perhaps in the form of two or three or four sales groups established geographically or by some other division, which I think could accomplish the same purposes without unduly disturbing the market.

THE CHAIRMAN: It would give the appearance of competition between several groups.

A. It would maintain competition, too, and perhaps be a little easier to handle. It is quite possible with an industry of this size that one central organization would become a pretty unwieldy thing to handle. True, you have it in Finland, but in Finland you have—I am sorry I forget their figures on capacity—something like 600,000 tons.

HON. MR. HEENAN: With regard to the fear you expressed that buyers might have that this unified sales organization might be set up with an ulterior motive, every move that has been made in Canada has been regarded by the public of the United States as a move to their detriment.

A. Yes.

Q. So that if this is the proper move to make one more fear will not hurt them, will it? Besides, they are now doing business with a unified sales organization in the Scandinavian countries?

A. Quite right. I do not know whether they realize it or not.

Q. And we have to compete with these countries. So I do not see, if it is the proper thing to do, why we should worry about a fear, because we must consider the present state of the industry, also the improvement in business and the fact that the Canadian public have shown their good faith by not taking advantage of the price.

A. That is quite true.

Q. Therefore, I do not know what you could do or what we should refrain from doing in order to tell the buyers that we are acting in good faith in Canada. My impression is, and I do not know whether you want to express it or not, that we should go ahead and do the economic thing, no matter who it pleases or displeases.

A. As somebody over here suggested, it is quite possible as time went on that if there were such a unified sales organization the buyers would learn to have confidence in it by its performance. There is no doubt in my mind that a unified sales organization of that kind would enable the Canadian industry to maintain a lower price than it can by individual effort because it would eliminate some of the sale expenses and some of the delivery expenses.

MR. W. G. NIXON: Has there been any move on the part of the industry itself towards that end?

A. No, sir.

Q. None at all.

A. Not as yet. Different people have cherished such an idea as an objective but I would say no to your question; there has been nothing concrete, perhaps not as much positive discussion as there has been here this afternoon.

We must remember—you speak of the attitude of the United States buyer, Mr. Heenan, and we feel, of course, that some of their suspicions of the industry, some of their ill will against the industry, if you like, are not deserved,—but we must remember that this industry has, going back a number of years, a rather bad history to overcome; and it takes time to eliminate the results of that bad history. I would think that the industry as a whole is gaining in the confidence and goodwill of the market, and I do feel that to-day it deserves the confidence

and goodwill of the market. But we must be patient and atone for our sins of the past.

HON. MR. HEENAN: It has been a long time now.

A. Yes, you are right. I would think the account is about square now.

I have not a great deal more, Mr. Chairman, as far as my story is concerned. I have these further points, however. I have told you our belief as to the deficiency in the policy itself; that is, the policy does need to be supplemented by this other effort. The material that remains is this: the points of criticism of the policy which we think are erroneous, and then the points of deficiency in the application of the policy. Do you wish me to go into these points of criticism and give you what we believe to be the answers to them?

THE CHAIRMAN: Go ahead.

WITNESS: I think these are points of criticism which are capable of answering, and I think it is just as well to have the points brought out.

This is still the policy itself and not the application of it.

In our observations during the last couple of years, there are four common points of criticism. These are as follows:

- (1) That prorating supports inefficient mills.
- (2) That prorating is uneconomic and production should be concentrated, not spread over all the industry.
- (3) That prorating results in high prices.
- (4) That prorating penalizes enterprise.

These are the four common points. These criticisms have sometimes been made with ulterior motives, but they also have been made honestly and with constructive intentions. In either case it seemed unwise for the Government to ignore them, and we believe it unfortunate that neither of the two governments as yet has chosen to inform the public on these and other points of policy.

The first point of criticism—prorating supports inefficient mills. We believe that the facts give no support to this. In the first place, each mill's capacity is determined from time to time on an engineer's formula of standardized operating efficiency. This is the point which I think you, Colonel Drew, asked about a minute ago.

MR. DREW: Yes.

WITNESS: A machine or mill below this standard is rated as zero. The others are rated by their performance record over a specified period. In the case of shut-down machines, the engineers ascertain whether they could be effectively operated within a fixed time. If not, they are closed as not available. The

ratings thus made have been recognized as competent by manufacturers who are highly sensitive to the ratings of their competitors.

In the second place, and this I think is perhaps a little more important, there is a great deal of loose talk and misconception about so-called efficient and inefficient mills. The facts are that machine performances are only part of the cost of producing and delivering newsprint, and they are not the major part. The big items are wood, power, and delivery. It is quite possible that a new mill may have lower machine costs than an older mill, but the older mill may have a more fortunate power contract or it may be better located for delivery or it may have some particular advantage in its wood supply. Consequently, the expression "efficient" and "inefficient mills" means very little. What is really meant is efficient and inefficient suppliers. That is taking into account not only machine performances, but the equally or more important factors of wood, power and delivery. Taking these into account, there is a surprisingly even level of costs and mill nets among the newsprint manufacturers in these two provinces. The advantages which do exist do not always belong to the newer mills. Have I made that quite clear, Mr. Chairman?

MR. CHAIRMAN: Yes.

WITNESS: The second point of criticism is this: that prorating is uneconomic. The argument on this point is that even if all suppliers were exactly equal in their efficiency, it would be much more economic to operate, say, ten mills full instead of twenty mills half full. This, by the way, I think, is probably the most common criticism; at least, the most common criticism that I have run into. It is one, I may say, that I have often had in my mind and had serious doubts about. To prorate tonnage among all mills at 50 to 60 percent of capacity, therefore, the critics say, is uneconomic. It adds to costs and puts the Canadian industry at a disadvantage in relation to foreign producers.

There is a good deal of reasonableness in this argument, but it is theoretical rather than realistic. It overlooks two main practical necessities: one with regard to supplying market demand, and the other with regard to social problems.

With regard to supplying the market, two things must be appreciated. One is that a mill once shut down cannot be made ready to operate again over night. You cannot make newsprint by turning a tap. Apart from mechanical matters, there is the need of getting trained machine crews together and the greater problem of wood supply; wood cutting operations are planned as long as two years in advance of actual use.

The second point is that market demand does not stay on an even keel. There are seasonal peaks within a year, and there are sharp variations between years. As recently as 1937, there was a bulge in demand which came so quickly that shut-down capacity could not be made ready in time to supply it and during that year there were intervals of actual shortage. Had the above theory been in operation at that time, with half the mills running full and the other half shut down, there would have been a spot market panic with a wild bidding up of prices which, in the long run, is good for neither buyers nor sellers.

Even if all mills were in a giant merger, operated by one central management

which could open and close mills at will, it would always be desirable to have a considerable margin of idle available capacity, in order to maintain flexibility of supply and to give stability to the market. This is particularly true from a buyer's point of view, because this is something that buyers overlook, or I should more correctly say, have not been informed about as to the prorating policy and its effect. Although some buyers have attacked prorating by this "uneconomic" argument, the fact that prorating, by the margin of available capacity which it usually involves, is the best protection buyers can have against violent price fluctuations as well as being an assurance of ready supply.

At the present time, for example, North American buyers are in the fortunate position of feeling that Canadian capacity is available to meet requirements arising from loss of European supply. There could be no such feeling if the Canadian industry were being operated on the theory of having mills either running full or completely shut down.

It is not intended here to dismiss the argument as having no merit. It has some merit, but not in the extreme form in which it is usually presented. There is undoubtedly some balance point at which maximum economy would be found by keeping only a certain studied margin of open capacity, but this is still in the realm of theory for it would require centralized control of all production and it would ignore the second necessity mentioned above, namely, the necessity of meeting social problems.

No industry as big as the newsprint industry can ignore, or would be allowed to ignore, the social consequences of its operations to the extent implied in the "full-or-shutdown" theory. To operate an industry only on the basis of its maximum production economy would cause social repercussions which could not be tolerated. In Ontario and Quebec there are too many communities in which a newsprint mill is the source of livelihood.

The newsprint industry must carry the responsibility thus involved, and it is to the credit of the manufacturers that many of them have met these responsibilities by maintaining employment at costs which might be eliminated. There is no denying the fact that prorating does impose this cost burden on manufacturers or, strictly speaking, on their investors who obtain no return on their money, and to that extent prorating may be described as uneconomic.

On the other hand, if newsprint companies were not bearing the costs of social relief in this form they would probably be required to do so in the form of relief taxation, for the costs must be met in some way and direct employment is probably the most desirable method from a social aspect. As an American publisher said of prorating not long ago: "We don't like this prorating business, but I guess it's better than our own WPA anyway."

On that point I would like to add this, that recently I have had a number of discussions with American publishers about prorating, they are publishers who two years ago were very critical, bitterly against it. I find a very considerable change in their attitude. I find although they have not been informed as fully as I think they should have been they are beginning to realize that prorating has a very important social side to it and to a very important extent is a matter of a social relief policy—to sum it up in what this one says, that he guesses it is better than their own WPA anyway.

The third point of criticism is this, that prorating results in high prices. The argument here is that with costs increased by prorating in the sense I have just described, manufacturers pass their costs along to the buyers in the form of higher prices and the buyers pay the shot for social relief.

Newsprint manufacturing would be a pleasant business if it were as simple as that. The truth is that newsprint prices have not been based on Canadian costs for many years. The world capacity figures which I mentioned but I didn't give you in detail, show what determines market prices and he would be a foolish man who supposed that any policy which might be devised by a provincial government in Canada could set such forces aside.

Prorating has a negative influence on prices in that it works to prevent collapse and to preserve stability but it has no other bearing. The person who pays the shot for the social costs involved in prorating is not the buyer but the Canadian investor who receives no return on his money.

And the last point of criticism is this, that prorating penalizes enterprise. This argument is almost always advanced by a manufacturer who has an over-average tonnage position and does not want to share it. He contends that he has obtained his tonnage by superior skill and enterprise in selling and that he should, therefore, be allowed to keep it.

It is true that all companies are not alike in the effort they devote to sales and it is also true that prorating contains a risk of creating complacency in this respect, as I have mentioned a few minutes ago. As a general rule, however, tonnage contracts do not change from one Canadian mill to another because of skillful selling arguments but because of price considerations. It is significant that the company which has been the most vociferous in the use of this argument is a company which obtained most of its present tonnage on a price rebate basis.

Now that is the end, Mr. Chairman, of the points of criticism and our comments on them. What I have just dealt with in a certain phase have been the points of deficiency or of criticism with regard to the policy itself.

What I am now going to deal with very briefly—and I am almost at the end of what I have to say, unless you have some questions—is with regard to deficiencies in the application of the policy, and this is I believe the most important point for present consideration and the point in which in our belief action is needed without delay.

The deficiencies in applying the policy may all be traced to one initial mistake, which was easy enough to make at the time but which is very apparent to-day. The mistake was that, when the two Governments made their agreement on joint policy, joint enforcement was not provided for.

The arrangement which grew out of this original mistake has already been described, but briefly, again, it consists of each individual government receiving reports from a committee which has no definite status, the members not being sure whether they are acting for the governments, the manufacturers, or both. Each government then deals with situations in its own province as and when it sees fit. Sometimes matters are handled by the Minister of Lands and Forests,

sometimes by the Prime Minister, sometimes by both, sometimes with other members of the Cabinet intervening, and almost always under pressure and interference from people who may know little or nothing about newsprint issues but who interest themselves because of local politics, friendship, business connections, or other reasons which have no proper place in questions affecting public interest in two provinces.

Under such conditions, and with the daily pressure of many different duties, no Minister can reasonably be expected to administer the enforcement of this policy as he would like to, and as it needs to be administered if it is to be effective. Still less can it be expected that the joint policy will yield uniform and equitable results for the two provinces, or will long continue to yield good results for either of them.

With all there is at stake in this situation, for both provinces, the question of application and enforcement needs as careful study as the policy itself. For the policy itself may be a sound policy and necessary to protect the public interest, but it is no good, and will not last, unless it is enforced impartially, continuously and conclusively.

There has been another important deficiency, namely, the mystery which has been allowed to shroud the prorating policy. Neither government has yet chosen to explain to the public, whose interest it is protecting, what the governments are striving to accomplish, or why, or how. And manufacturers and others wishing to obstruct the policy have thus been given a clear field for spreading derogatory impressions and interpretations of the policy and its results. Such public information as has appeared has come almost entirely from these adverse sources; the results have been detrimental both to the governments and to the industry, erroneous impressions have been created not only in Canada but among customers of the industry, many of whom, with help from the industry's competitors, have come to believe that the provincial governments are fixing prices or are engaged in some kind of backstage improprieties which they are evidently ashamed to talk about.

That is our opinion of the deficiency of that policy and to give the positive side of it we have summed up here the changes which we believe are needed or at least need consideration:

The deficiencies of policy and of its application have then indicated the changes which seemed to be needed. This is assuming that the two governments wish to make their joint policy effective, and we put these changes together in a very brief list as follows:

The first is this, the policy itself has obtained worthwhile results in the public interest but it is negative. It needs to be supplemented by positive methods of getting business; Canadian companies need to be prepared to contend effectively against aggressive and well-organized competitors.

If I may just add a comment there, that is a general need which is not at the moment pressing because we have the fortunes of war in our favour; it is a need which it would be madness to ignore and which would be a sudden and drastic need the minute this war comes to an end.

HON. MR. NIXON: Q. There is no newsprint from the southern mills in competition yet?

A. Not to any appreciable extent, Mr. Nixon; the southern mill is now operating with a capacity of some 50,000 tons; it remains to be seen how large a factor that will become. That certainly should not be put to one side or treated lightly.

Q. Have you any personal knowledge of the quality of the product?

A. Yes. But it would be very unwise to judge the quality of the product by its results to date. This mill has been in operation only two or three months. Any new mill has difficulties. Even if the quality is poor for a year it doesn't follow that these defects couldn't be overcome. I think you just have to put that question in the wait and see class, but certainly not put it to one side.

MR. COOPER: Q. Is that the southern pine you are speaking of?

A. Yes, sir.

The second change that is needed is this, in our opinion:

The present methods of applying and enforcing the policy need a thorough revision after two years of trial. The present arrangement of separate groups of Ministers and an anomalous committee needs to be replaced by provision for joint, uniform administration, including provision for impartial and automatic application of penalties under certain sets of facts.

And the third change we would submit is this: The policy needs to be explained to the public and brought out into open view where it can be freed from misconceptions and obtain the public support it deserves and requires for its fullest effectiveness.

As part of the changes that are the most use in our opinion is greater attention to the positive aggressive side of sales effort, perhaps by the method which you, Mr. Chairman, and Mr. Heenan, were discussing a minute ago, or by alternative methods.

Secondly, and much more pressing than that, and really pressing in our judgment, the need for a provision for joint uniform administration of what is a joint policy based on the experience of the last two years.

And the third need, the need to bring this policy into the open where the public can be given understanding of it and where the policy can obtain the public appreciation that we think it deserves, which I believe it would receive.

With those changes there are several cases of unconcluded difficulties which I have referred to heretofore and that we list here as matters needing attention. These items constitute the immediate causes of current deterioration; they need prompt action if the policy is to have any effectiveness.

First, the question of exempted mills needs the reconsideration which was

expected last year. It needs a careful and just examination on its merits in relation to the objectives of the two provinces. Whatever the settlement of it may be, it needs to be a settlement which will satisfy the Canadian companies, their workers and investors as to its fairness and propriety.

Secondly, the four unconcluded cases of non-compliance need to be brought to decision. These cases really depend on settlement of the Great Lakes and M. & O. situations, which in turn are related to the above question of exempted mills. These cases should be examined, if further examination is necessary, and a definite conclusion of them reached and carried out.

Now I have mentioned this morning the point with regard to the effect of the war on this industry and what a tragic mistake we believe it would be if a temporary boom, which may develop or may not, that we will say may develop, if that were allowed to divert people's attention from the real need of providing for these matters that we have been discussing here. No greater mistake could be made by anybody in connection with newsprint than to think that because there is some appreciable amount of good business, which may become very good business, that the troubles of the industry are over and we need pay no further attention to these things. It is our belief that an abandonment of these measures of stability would certainly bring, perhaps soon, certainly at the end of the war, a new period of disruption which would be worse than anything we have experienced.

I have only one other thing that I think might interest you among this material, the point I have tried to stress here in point of urgency as being the most important is that point of making provision for joint and uniform administration. In that connection I would like to mention one or two examples which may interest you. There is a very close parallel to this situation,—I may have mentioned this this morning but I would like to mention it again even if I did—a very close parallel to this situation in a group of American States which made an agreement among themselves for the prorating of oil. The parallel is quite obvious.

In 1936 we had two provincial governments making a gentleman's agreement for the prorating of newsprint. The year before that, 1935, we had this group of midwestern and western States across the border making agreement between the governors of these States for the prorating of oil. In their cases, however, they did not make this a gentleman's agreement, they drew up what they called an inter-State compact, and the general details of their policy which they signed and the compact provided for the setting up of an inter-State oil commission to administer generally the policy and the compacts which they had made. The difference between that and our situation is that the two provincial governments didn't make a formal agreement but merely a gentleman's agreement, which was clear enough, but when no provision was made, nor did it seem necessary at that time, for joint administration. But that example of the handling of a very similar situation in the United States seems to me to be rather relevant to this and an interesting and helpful example. I have some details of it here if you would like to have it, but I think these are the essential features of it.

MR. COOPER: Q. Do they go as far as price fixing?

A. No.

There is quite an interesting point there—I am glad you mentioned it:

Article V of the Compact specifically provides that: “It is not the purpose of the Compact to authorize the States joining herein to limit the production of oil or gas for the purpose of stabilizing the price thereof, or to create or perpetuate monopoly, or to promote regimentation . . . ” However, a reduction of prices to uneconomically low levels, appears to be acceptable evidence of excessive production detrimental to the interests of conservation. This was demonstrated in August, 1939, when a reduction posted by the major purchasing companies was followed immediately by an order virtually suspending production of properties in the leading contracting States. . . .

MR. DREW: Q. It is a little ambiguous, isn't it?

Q. It points out that the necessity was a low price and then goes on to say that the purpose is to increase the price?

A. Yes.

MR. COOPER: Q. That virtually amounts to price fixing when it goes below a certain level?

A. Doesn't it really mean preserving a minimum price?

MR. COOPER: Yes.

WITNESS: There are a number of examples of prorating and quota systems that would take some time to go into here and I have already, of course, given two examples of prorating and joint sales effort as they are conducted in Finland through one organization, and of course, you know you have oil prorating in the Province of Alberta; that is not an interprovincial matter, but under provincial legislation and under a conservation board.

HON. MR. HEENAN: Q. There is one aspect of this whole scheme, Mr. Vining, that I think should be cleared up:

A. Yes, sir?

Q. As you have well said, that this system grew, like Topsy?

A. Right.

Q. And we found the weaknesses in it as we went along, and it has grown and grown, until now you are referring to it yourself as a government policy, and I notice in Colonel Drew's remarks—he may not have meant it the way it sounded to me—that the Government imposed this on the industry, there is a request for these things because of the fact the public generally has accepted them, that this is government policy imposed on the industry. I regard it just the opposite, that it was the industrial difficulties, that we tried to assist them;

when they decided on a certain line of action, we took powers in order to see that two individual companies would not disrupt that policy. Consequently it is difficult to say, and I am not saying that it shouldn't be a government policy; in fact, the very moment that we suggest, as you have now, and as I said yesterday in answer to Colonel Drew, there should be some drastic method of dealing with a situation by separate board, it then becomes a government policy. So that I don't think it should go out to the public that this is some government policy that has fallen down; rather that it is the industry itself, because of the weaknesses that you have described has fallen by the wayside and we have not been able, with our machinery, to correct it. You see the whole thing, as was said to-day and yesterday, is full of weaknesses and the public has not been taken into confidence. We have left it wide open to anyone who is disturbed, for one reason or the other, to put his own interpretation upon it. I think you are aware of the fact, that even these salesmen of the various companies have gone forth to the United States publishers, and therefore the public, and they have said: "We could sell you more tonnage and we could sell it to you at a lower price, but the Ontario Government, the Provincial Government of Quebec, will not permit us to sell it at less price", and that went forth through the United States that we were a price-setting organization. As you know, the governments have never taken any steps to set prices, we have taken steps, however, after the price is set, that if we can hinder it we will not permit our salesmen or manufacturers to go and undercut that price, which may have the same effect. I think that should be made clear. In connection with that, I just want to have that little joke back again that I said to Paul Leduc was a kind of haphazard compliment: The progress that has been made in the industry or the success up to now he wouldn't attribute it wholly to the assistance of the Government, or the Government's assistance, the gentleman said, and then he says: "Of course, the progress couldn't have been made unless it had been by the assistance of the Government." So that is why I said it was a haphazard compliment.

A. I don't think anybody would regard prorating as a great magic cure-all; without it the present recovery and stability would certainly not exist.

HON. MR. NIXON: Q. Mr. Vining, I am not just sure how your committee was first set up and who financed it. You must have very considerable expenses if you have had the services or have as a member a lot of consulting engineers?

A. The expenses are not particularly considerable. They are paid through the Association. That is, I am not paid as a member of the committee—*ex officio*—and the other members are paid, Mr. Howard and Mr. Ralston were paid, of course, on the basis of counsel fees as and when they were needed. The beginnings of the committee, to go back to some of the history of this morning: The committee started in 1935, during the Price Brothers episode that I mentioned when Premier Taschereau insisted that the industry must find some way of stabilizing itself and specifically and immediately finding tonnage for Price Brothers, and the manufacturers didn't choose to form a committee among themselves, they wished an independent committee and these three persons were selected. Then in 1936, when the two governments had their conferences and decided on further agreement, some method of supervision and of liaison with the governments had to be found, this committee was asked to carry on.

Q. Then if under permission your committee has appointed to it someone

to replace Col. Ralston, they will be appointed at the annual meeting of the Association?

A. No, it has nothing to do with the Association at all. If the governments thought they wished another member of the committee, I presume they would say so and we would report that to the manufacturers, or vice versa if the manufacturers thought they wanted a larger committee, we would report that to the governments and if a mutually satisfactory person could be found, why that is all there is to it.

MR. DREW: Q. Well now, Mr. Vining, that concluded what you specifically recommend there?

A. Yes, that concluded it.

Q. There are a couple of points—it is rather late, if you are leaving to-night I will cover them as quickly as I can, but you have a very extensive contact with this industry?

A. May I say, Col. Drew, I don't want my plans to interfere with this Committee, if you think I can be of further use I am willing, a little reluctantly, it is true, but I am willing to stay over until to-morrow or to come back another day.

Q. Would you have any occasion to be coming back here again within the next—I take it before the end of next week?

A. Yes, I think I probably would have; it wouldn't be difficult at any rate.

Q. Growing out of your remarks, I have a number of questions which are not in direct line with what you have said and which I think are important to this inquiry. I, quite frankly, don't think there is any use of asking you them with any expectation of closing off in a few minutes and it is just a question of whether it would be more convenient to come back another day or to spend to-morrow. If it is just as convenient for you to come back another day, some time at the end of next week, I should think it could be easily worked in that way?

A. That would be just as convenient; I will do whichever you prefer, I will stay late now or I will come back.

THE CHAIRMAN: What about the 2nd of May—Thursday?

WITNESS: Yes.

THE CHAIRMAN: Well then, thank you very much for your evidence, Mr. Vining.

The Committee stands adjourned until to-morrow morning at 10.30.

At 4.50 p.m. the Committee adjourned until Thursday, April 25th, at 10.30 a.m.

TWENTY-FOURTH SITTING

Parliament Buildings,
Thursday, April 25th, 1940.

Present: Honourable Paul Leduc, K.C., Chairman; J. M. Cooper, K.C., M.P.P.; Colonel George A. Drew, K.C., M.P.P.; A. L. Elliott, K.C., M.P.P.; Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P.; F. R. Oliver, M.P.P.; F. Spence, M.P.P.; Dr. H. E. Welsh, M.P.P.

HON. MR. NIXON: Gentlemen, our Chairman, Mr. Leduc, is unfortunately absent and I move that Mr. Elliott be requested to take the Chair.

MR. W. G. NIXON: I second the motion.

HON. MR. NIXON: All in favour? Carried.

—Mr. Elliott then took the Chair.

MR. ELLIOTT: Mr. Clarkson is the witness this morning.

GEOFFREY T. CLARKSON Called:

MR. ELLIOTT: Q. Mr. Clarkson, I believe you are the liquidator of Abitibi Pulp & Paper Company, Limited?

A. No, I am the receiver and manager; the liquidator is Mr. MacPherson. Do you understand the difference?

HON. MR. NIXON: Q. What do you receive, chiefly?

A. As receiver I am an officer of the court in charge of all the assets of the company under the bond mortgage, which in this case comprises all the assets of the company and my duty is to administer those assets as an officer of the court for the benefit of all interested in them.

The liquidator's rights are confined to any equity in the assets over and above the charge of the bond, you see. So I have control of the assets of the company and its operations.

MR. ELLIOTT: Q. You are called in the interest of the Committee, Mr. Clarkson; we have been discussing proration and export and embargoes and the paper industry generally.

A. Yes.

Q. And we would like to have your story?

A. Do you want me to tell you the story of what has happened, what conditions Abitibi has had to meet? Is that it?

MR. DREW: I would suggest, Mr. Clarkson, that it might be wise, as an indication for the general discussion, to give briefly for the purpose of the record the history of the Abitibi up to the present time. I don't mean by that an exhaustive history but so that on the record it is possible by the discussion just to understand what it is we are actually discussing?

A. Well, I will tell you the story of the industry up to a point and then what happened to Abitibi: Statistics indicate that between about 1923 and 1929 the consumption of newsprint in the United States where the product of the Canadian mills is very largely sold began to increase in leaps and bounds. Had I known just exactly what you wanted I could have given you the exact figures, but I think between about 1923 and 1929 the increase in sales over there was from a million and a half to a million six hundred thousand tons a year. Well, coincident with that increase in consumption the capacity of Canadian mills began to expand, there were a number of new machines put in existing mills and a number of new mills erected, and year by year from 1923 to 1929 the Canadian mills operated between eighty and ninety percent of their capacity each year of increased capacity and then when it was installed it operated the whole of it about eighty or ninety percent.

When they came to 1929 a change took place, the consumption began to drop, while at the same time mills in course of construction went on towards completion. The result is that when they came to 1932 demand had dropped until the Canadian mills were operating about fifty percent of their capacity only. The capacity at that time was about 3,800,000 tons and their production about 1,900,000 tons. At the same time coincident with those conditions the price dropped and when September 1932 came Abitibi had defaulted in its bond interest and the price had dropped from about \$62 I think it was in 1929 to about \$46 in September 1932. Then the next three months it went down to \$40. Well that condition continued. In the meantime, in the struggle for business after 1929 a lot of so-called interlocking contracts had been made under which a mill would sell paper to a customer and agree to charge no more than any other mill charged their customers. As a consequence the making of a price by one price cutting mill fixed the price for the industry; as I say, it got down to \$40 by the end of 1932. At that time the operations of the industry were about fifty percent of capacity and Abitibi operations were thirty-seven percent.

About the middle of or towards the end of 1933 the report was that some Canadian mill had offered to sell paper at \$35, and that resulted in the NRA authorities in Washington calling all the United States and all the Canadian mills together and indicating that unless they would agree to sell at not less than \$40 in the future they would take steps to protect the American industry which they said would be ruined. Well then, the NRA continued for about a year, that is 1934, and then the Government refused to make a code for the newsprint industry there and it blew up.

In the meantime so far as Abitibi was concerned two things happened: We had a mill down in Quebec and Mr. Taschereau called me there and told me that unless we operated that mill, which was closed down, he would take steps to penalize Abitibi.

MR. ELLIOTT: Q. That was in 1933, did you say?

A. That was in 1934.

At the same time, after the Hepburn Government came in Mr. Heenan came to me and told me that the Government—and I think very properly—felt that the industry was in a chaotic condition and that unless those in charge of it did take steps to stabilize it and put it on a proper basis the Government might feel compelled to do so. There came 1935 and throughout that year it continued the same way, a little bit more emphatically. I couldn't object to it, but there was nothing we could do to try and increase the business of the company. There was only one way in which it could be done, and that was to further increase prices. Well, up to the end or middle of 1936 we were not earning enough money to pay our depreciation, let alone return anything on interest on the bonds or anything on the capital that was put into it—we just didn't meet our depreciation.

In the beginning of 1936 Mr. Taschereau had been pressing Abitibi and Ontario had been pressing Abitibi and finally I was told that the Government had come to the conclusion that the only way in which the industry could be stabilized was by proration of tonnage between companies. We were told that the governments of Quebec and Ontario had agreed that they were going to adopt that policy and the companies would be made to conform to it. Well, it wouldn't have done any good if I had objected, but so far as I was concerned I felt that there was no means under which it could be done except by proration.

About that time an offer was made to Abitibi of a large amount of tonnage at slightly reduced rate. Some of the bondholders were very strongly in favour of taking it. But with the arrangement between the two provinces I was told that we couldn't take it and as a consequence we gave it up.

Well then, at the time proration was put in force Abitibi complied with it and has always complied with it and as a result of complying with it and with the requirement that it should not undercut or undersell the industry generally we lost a lot of our best business in 1938 in competition from the United States and Scandinavian mills and some Ontario mills. Since then we have got part of it back, not in the form of contracts, on proration, but since that time we have been consistently year by year short of the tonnage which we should have received under proration and other companies in Ontario and some companies in Quebec have consistently overshipped, till to-day I think we are short nearly 40,000 tons of what I think we should have.

HON. MR. HEENAN: Q. 40,000 tons in two years?

A. No, about 28,000 in 1938 and '39, and at the end of April I think we will be behind for 1940 about 15,000 tons, which makes 43,000 tons up to that point.

Q. Yes, I mean in the two years.

A. In the two years about 28,000 tons and this year so far in the three months or at the end of April I think we will be behind about 15,000 tons, in the four months, to what we should have had.

The effect of that has been this, that it has not only deprived labour of

work in our mills which we have been compelled to keep open in order to spread labour in accordance with the policy of the province—to which I do not object—but also it has reduced our earnings and my feeling about the situation is, as the governments have adopted this policy I think it should be enforced. My feeling also is, if they withdraw from the policy it is only a matter of a very short time before prices are again very much below what they are to-day—our position will be such that it will be almost inevitable that we would have to move immediately in that direction. Does that cover that point?

MR. DREW: Q. I gather from that that subject to the actual working out of the details you believe that some such system is necessary?

A. I can only say this, we tried and tried and tried, and failed in every way—the newsprint industry and Institute and other things—and the only way in which any headway has been made was in that action determined upon by the two governments which we were told to conform to, and my view is that if they intend to carry out that policy and will enforce it, as far as I can see that is the only way in which we will bring this industry out of chaos. If they make up their minds to let it go I think you will be back in the same position that you were in 1929, 1930 to '32.

MR. ELLIOTT: Q. You think that the proration has helped some then, Mr. Clarkson?

A. Oh, very much. There is no doubt about it, it has been very constructive.

MR. DREW: Q. Well then, you have had a great deal of experience now, Mr. Clarkson, with the largest of the operating organizations and, without bringing that down to specific instances for the moment, what suggestions have you as to the best practical way of working this out?

Before I leave that question with you, let me put it this way: At the moment there is what appears to be a fairly loose method—I am not suggesting necessarily a criticism of the method, but there is a method by which the two provinces have set up an independent committee for the purpose of acting as an intermediary between the industry and the government and then each government has a slightly different Act, which is intended for something else than on the face appears; that is, both the Forest Resources Regulation Act of Ontario and the corresponding Act of Quebec are, quite frankly, for a purpose other than would appear on a first reading of the Act?

A. Well, I didn't understand that. I thought that their deliberate purpose was to enforce this policy, but that there were other things brought into it which gave power in other directions.

Q. There is no question about that, but the evidence so far would indicate that the introduction of both these Acts was for the purpose of carrying out this necessary idea of proration?

A. That is my understanding.

Q. You have had a good deal of contact with it and a good deal of experience

with it. Have you any suggestions as to methods which would best work out, and in asking that question, I do it, Mr. Clarkson, knowing that you have had a great deal of experience in connection with matters of that kind?

A. Well, I think, frankly, Colonel, that if Ontario will enforce the Act which it has got now, that it can make these non-complying companies conform, but it hasn't been enforced. But I think that there is a better means of dealing with the situation: I think it would be better, if this policy is to be proceeded with, to establish a commission, or committee or whatever you call it, appointed by the province for the same purpose and let them enforce the Act.

HON. MR. NIXON: Q. Police the industry?

A. Police the industry. I can quite see, however, the great difficulties which Mr. Heenan has had, for instance, in dealing with the situation he has in Ontario, and perhaps in Quebec they were taking a little different attitude towards similar difficulties there. I think it would be far better to have the control under one head and to give that committee ample power to enforce it, and then you would have a unified control of the situation.

MR. ELLIOTT: Q. What about the provinces other than Ontario and Quebec?

A. Well, I don't know what you are going to do there. So far as Manitoba is concerned, we have the only mill there. I have been impressing it upon Manitoba, and at some times they say they have no interest in this proration, "Go ahead and operate the mill," but the fact that the company hasn't got any contracts of its own, why we have given it business just sufficient to keep it on the line.

So far as New Brunswick is concerned, I think the only mill there of importance is the one at Dalhousie owned by another large company, and a somewhat similar course must have been followed, because when you get down to Nova Scotia, you have got an entirely different situation: You have got a mill there under contract to buy power from the Provincial Government. Whether it would agree to go into anything of that kind or not, I don't know. It hasn't so far.

Newfoundland, where you have got about 400,000 tons, of course is not in Canada, but their mills are directly competitive with Canadian mills. Hitherto their tonnage has gone largely to England. Now, I would say with the falling off of the English demand, they compete with Canadian mills on the seaboard and right to the Great Lakes, where they can get water transportation. And you have got your Pacific Coast mills, which meet different conditions, and I don't know what they will do. But by far, eighty or ninety percent, I would say, of the exports from Canada come from Quebec and Ontario, and the mills affiliated or controlled by Quebec and Ontario companies.

MR. W. G. NIXON: Q. Mr. Clarkson, do you regard it as impossible for the industry to correct this situation?

A. The only answer I can give to you is that it hasn't done so over twenty

years, over the last ten years, particularly—it is cutting its own throat. You can see the reason for it: When you talk about the sales of newsprint, you talk about pulpwood and you talk about power and you talk about labour, but the most important way in which costs are increased or reduced, is the rate of operation of the mill. If you get a mill operating eighty percent, and of course, it differs in each case, it would cost maybe five or six dollars a ton less than if the same mill were to operate forty or fifty percent. So that the ratio of capacity of a mill is the greatest factor in the cost of production. Well then, when you get capacity of 4,000,000 tons say as it is to-day, 4,400,000 tons in Canada, you get shipments or production of two and a half million tons, sixty percent, as it was, you can see the incentive on the part of the companies to try to get eighty percent and leave some other fellow in the position of forty or thirty percent; if he can get up to eighty percent, he can reduce his cost ratio very much.

Q. I was wondering, could we get more business under proration than if the bars were let down?

A. I think the amount of business you get is determined by price. The price situation which the Ontario and Canadian mills have got to meet is this: Over in the Scandinavian countries they have got a capacity of about a million tons of newsprint a year; they have got very much lower living costs over there; as a consequence their labour is less, their power is less and nearly everything is less. Then their water transportation has been favourable heretofore, and as a consequence, they are able to come over here and have been selling consistently, five to seven dollars a ton less than Canadian mills; they don't name a price, they just say five to seven dollars a ton less, and they are able to take that and I am told, make money. Well, we just can't do that. But their exports into the United States last year were about 275,000 tons, about eight percent of the consumption, so that in that way it is not so serious, and in another way it is.

The next thing you have to face is this southern pine situation. They have only got one mill down there and whether it will be successful or not I don't know but it looks as though it may, and their costs of wood are four to five dollars a cord and ours at the head of the Great Lakes are nine to ten dollars a cord. And there is a question of operation—they are operating full. The United States mills have made it a policy for years to sell at a certain ratio under the Canadian mills and the business goes to them from patriotic reasons because years ago the Canadian industry very foolishly took advantage of a shortage of paper and raised the price to \$110 a ton—a very foolish thing to do—and it brought on resentment and it has never been forgotten and they have been apprehensive that if a shortage came the same thing would happen.

HON. MR. NIXON: Q. What did the mills in the States charge at the same time, Mr. Clarkson?

A. Some of them charged substantially less—I don't know what the price was—the Northern in particular charged substantially less. I am satisfied the Canadian mills will never do that again, but it is a different thing to feel that way and another thing to convince a customer who has been bitten once.

So now you say, if you have proration will it increase your business? Increase or reduction of business will come according to whether consumption

goes up or down, and price. I don't know whether it will increase your business; you get the marginal business over what U. S. mills supply and the Scandinavian mills supply; but so far as Ontario is concerned it means a difference of whether those mills are all going into bankruptcy again or whether they are able to stand on their feet, that is where it is.

MR. W. G. NIXON: Q. But don't business conditions follow the law of supply and demand?

A. Well, the law of supply and demand, if you leave it to the law of supply and demand and say that because of that you don't approve of proration and it should be done away with then, as I say to you I am satisfied that a lot more Ontario and Canadian mills will head back into bankruptcy pretty quickly.

HON. MR. NIXON: Q. There is new business offering. You don't have to get business but just simply hang on to it?

A. The business offering at the present time is overseas business and a certain amount of American business that the Scandinavian mills are not able to supply. That comes temporarily, but after the war is over and if these countries get back you will have the same condition.

Q. What effort is being made by Abitibi to get their share of the business? Have you salesmen?

A. Oh yes, we have a sales agency. We have only one small mill available—we have been supplying overseas business, we have only one small mill in Quebec, which is on the St. Lawrence but not well located there for water transportation, all our other mills are Ontario mills and they are at a very great disadvantage to supply overseas business, the rail freights against them are very heavy. At the same time we have taken some of that business and we have manufactured it even as far north as Iroquois Falls. But the experience of the past has been, as between Canadian companies there has never been any very large shift of business except for the price cut.

Q. What is your rate of production this year as compared to last year?

A. Our rate of production was a little higher. I haven't got the figures in front of me but I would say it is five or six percent higher. The industry is a little more than that, because as I say, we have been made subject to proration and it has not been enforced against some companies which have been overshipping and the result is we haven't got our share.

DR. WELSH: Q. The stock of the International Pulp & Paper in the States has gone up from about forty-eight to seventy-two, and the Canadian Price Brothers and Consolidated and so on have only increased about a dollar or two dollars?

A. Well, it is very difficult to compare any companies in that way. You take Abitibi, we have so many newsprint mills and we have a sulphite mill, we have I believe the largest sulphite mill in Canada; you take Consolidated, it has got newsprint mills, no sulphite mill but a kraft mill. Now you may have a

heavy demand for sulphite as there is just at present, at the time we are operating full in our sulphite mill in Ontario, but there is not the same demand on the kraft mills in Canada. Now International Paper Company has got an enormous investment in southern kraft the use of which has been increased in the United States just in leaps and bounds in the last five years; I think there have been two million tons additional capacity put in there in the conversion of southern pine into kraft pulp and products, so that International Paper Company is partly newsprint and partly sulphite kraft. I can't tell you what views these people dealing in the stock market take but I would say that that kraft situation has had a very important influence on the way their stocks are looked at.

MR. SPENCE: Q. There are not many of these newsprint mills that have installed machinery for that sulphite pulp?

A. Pardon me. Newsprint is made out of ground wood pulp plus news grade sulphite or slush sulphite pulp. Now there is very little demand for news grade sulphite pulp except in a pinch when they can't get other kinds of pulp and then they may have to take some of it; there is one company in Ontario ships quite a lot of news grade sulphite pulp in the dry form to affiliated companies in the United States but other than that the demand on Ontario companies and Canadian companies in general for ground wood, which is very speculative, or for bleached sulphite pulp, hasn't amounted to very much—it has been very little.

Now if this condition in Norway and Sweden continues there may very likely be a shortage of pulp and it may be that some of these United States converting mills will have to buy news grade sulphite pulp and in that event Ontario mills are equipped to furnish some of it. We have a capacity at the Soo and Iroquois and I believe St. Anne of a certain amount but you have got to have facilities to dry it.

MR. DREW: Q. I suppose one of the answers also is that where there is an increased internal demand for newsprint in the United States the first mills to benefit will be their own up to their capacity, isn't that so?

A. Well, they are selling at a lower price and they will get the preference.

Q. I am referring back to the question that Dr. Welsh asked. I would think that that would be a fairly logical result, because as the increased artificial demand from the war brings its effect on the purchasing, I would imagine that the first mills that would get it would be the American mills themselves?

A. Yes, but they were operating last year, I think, somewhere up towards ninety percent of capacity. Their capacity is about a million tons.

Q. They were operating that close to capacity?

A. Yes, close to ninety percent. You see, you have got 4,400,000 tons in Canada, you have got about a million tons in Scandinavia and about a million tons in the United States. That is your picture.

Q. Now, Mr. Clarkson, you said that the actual ratio of production to capacity is the most important factor in the cost?

A. One of the most important factors. Of course, if you have very high costs in pulpwood, it might offset that, but generally speaking, your ratio of capacity is one of the most important elements in cost of production.

Q. Well now, I am merely asking this question for information, but you have been talking of the problem involved by this proration. One of the criticisms that one always reads of the effect of proration, whether it be in the newsprint industry or any other industry, is that by placing an umbrella over the industry it stifles initiative, and the other, an extremely important argument that is made against it very strongly is, that by proration you force an uneconomic method of production, by distributing over a great number of mills, the production instead of concentrating it in certain mills so as to keep the costs down so that you can compete?

A. Do you know any industry where they concentrate? It is just not feasible.

Q. Of course, there are a lot of industries have done it through a very drastic method, and I am not suggesting that is the right method, and there are a great number of industries where this has been forced upon them by economic pressure?

A. By economic pressure. Well, just finish what would happen: Suppose this Iroquois Falls mill can function, we will say, at five or seven dollars a ton less than the Soo. If that is the case we will shut down the Soo, turn the business all over to Iroquois Falls. That would be fine from the profit standpoint, but what would happen to your labour at the Soo? You would disturb the whole social structure. I think that it would be very inadvisable to attempt to do a thing like that. Suppose we shut down the Soo mill, which is one of our highest cost mills, and threw all these people out of employment, stopped taking power, stopped cutting wood, and just turned that all over to Iroquois Falls? Well, you would just put the burden on the province of supporting so many men in relief.

Q. I am not suggesting that that be done, Mr. Clarkson, I am merely saying that is one of the important criticisms of proration in any industry, whether it be the pulp and paper or any other?

A. Mark you, Colonel Drew, I don't like proration from the standpoint of the companies or the intervention of Government in business at all, and I don't like doing anything that is against economic laws, but you have got a situation to face here. Now, keep one thing from the other; you can let these companies with a capacity of nearly double the demand upon them, cut their throats if you want to, and when that happens, you will drive a lot of them back into bankruptcy, you will have a lot of mills closed down and you will certainly undermine their ability to meet the conditions which they will have to meet after the war. So I, disliking the situation as I do, still don't see any other alternative but proration, if you want to spread your labour and spread the use of forest products, and if you want to leave the companies in a position to meet what they will have to meet when this war ends, which will be probably the worst competition that they have ever had.

MR. DREW: Q. That is exactly the reason that I am trying to penetrate

any suggestion made, because it seems to me that one of the most important things, if not the most important thing which this Committee should consider, is some recommendation as to a long-range policy in connection with the general market of our pulp and paper products. We cannot ignore the fact that the governments of Ontario and Quebec are inseparably associated with this industry, and quite apart from the wisdom of the course which has been followed to date, there seems to me to be the necessity for creating some long-range plan?

A. What I have in mind is this, so far as overseas business is concerned, there should be one corporation to represent the Canadian mills in the whole of business overseas.

Q: When you say "overseas", you exclude the United States?

A. I exclude the United States. So far as the United States is concerned, the hope I have had is, that if the governments pursue proration that eventually, within a few years,—two or three, or you may find three or four,—the best selling effort can be obtained if you had three or four selling companies representing the Canadian mills, and I do not approve of one sales company to represent Canada in the sale of newsprint in the United States. It looks too much like a monopoly. I think the situation is such that the sale of Canadian paper would be very much advanced, if you had about three or four large sales companies representing all the mills and your expenses could be cut, too, and probably other economies would be effected at the same time. I do not approve of one company for that purpose. It is too much like a monopoly, as I said.

DR. WELSH: Q. What position would the other provinces be in? Would Quebec and Ontario be in a more favourable or unfavourable position?

A. Oh, I think they would be in a more favourable position. I do not know the exact output of the British Columbia mills, but I think the output of Nova Scotia is only about 100,000 tons. You will never get perfection, but I do not think it would create such serious trouble if they just stood off to themselves and did not come in.

MR. W. G. NIXON: Q. Do you know of the percentage of Canadian raw material, taking Quebec and Ontario, as compared with the other provinces of the Dominion?

A. No, I do not.

That is also very deceptive. You come along and say you have so much pulpwood in Ontario; but how much of it is available for use and how much is not? You have a large amount of pulpwood away north of the transcontinental railway, but I do not know when it will ever come out and I have no record of what you might call available pulpwood at this time. I do not know whether or not the province has.

MR. DREW: Q. In regard to the remarks you are making about the social aspects of attempting to concentrate production for the purpose of lowering cost, I heartily agree with the fact that a pointed consideration of the whole discussion is the social consequence of any action which might be taken in its

effect on communities which are almost wholly dependent upon this, but there is of course the short-range and the long-range viewpoint in relation to the social aspects as well. So that I may make it clear as to why I am looking for some suggestion in this direction, it seems to me to be the fact of the situation that we must face possibly even before the end of this war, but certainly when this war is over if there is still the present system of monetary exchange between nations, there is going to be a tremendous amount of money seeking some sort of development and assuming that the situation has not changed and that it will be possible for American and British capital to go into Scandinavia and into China, our most serious competition might come from mills operated by British and American capital in those two areas?

A. Well, my understanding is that it is largely British capital in Finland now.

Q. That is what I understand; and also in Norway?

A. In Norway and my information also is that they have about reached the peak of their productive capacity under the restrictions imposed on the cutting of wood. It may be that there is 100,000 tons more in Finland,—I am not quite certain as to that,—but other than that my understanding is that they have reached their capacity. The policy is to spread so much in the United States, so much in South America and so much in the Orient.

Q. Your feeling is that the actual physical limitations reduce the seriousness of the threat from Finland and Norway?

A. I think so. I think your most important threat at the present time is that if this newsprint mill in Texas proves to be a success you are going to have some more mills down there and they are going to take away business which the Canadian mills have had in the Southern Central States. As a matter of fact, we are already affected in one direction by it to a small extent.

Q. I come back to this point that one may protect the social consequences of certain attempts to get economy by a method of proration and yet in the end that may be most unsatisfactory if by doing so it created an uneconomic production which ultimately would throw the business into other channels.

A. I do not exactly think that, Colonel. They sell on the basis of price and spreading this business merely means that the mills get so much less profit than they otherwise would, you see.

As a matter of fact, I asked the Minister a couple of years ago for permission to shut down mills at the head of the lakes and transfer my business to the Soo and Iroquois Falls. I did not think he would comply and I received the answer that he would not permit it. The result of that situation is that Abitibi loses a certain amount of business which it otherwise would have. If it had been permitted, why, they would have had a certain number of men thrown on their shoulders for relief.

But, this concentration of business is something which you cannot just make a general answer about. You have to study it and see what the effects

of it are, what you can do by it and what it should result in. So, I cannot give you a general answer about that.

Q. If the question is too general, do not answer it, but I wish to ask this question. Is it not so that in other industries where attempts have been made to prorate,—whether we call it proration or whether we do not,—that ultimately competition from outside sources in the end has forced the closing down of certain mills simply because of the fact that the price was kept up to a point where they could not compete.

A. Well, I can visualize this, that if the Canadian mills lifted their price that way and the southern pine mills are a success, it would result in probably the construction of a lot more mills in the south. All I can say to you is that I do not think that the Canadian industry would be so foolish as to try and put a price on newsprint which will encourage the construction of mills in other countries.

I think they are just as much alive to that as anyone. You have an indication of their viewpoint. Here we are in war. During the last war the price of newsprint went soaring and now, you see, even still at the third quarter this year, it is the same as it was at the time the war started. I think they realize it is not to their interests to unduly raise prices on newsprint. As far as I am concerned, I do not want to do it unless costs move up with it.

HON. MR. HEENAN: Q. Have we in Canada under proration,—I am speaking about the whole of Canada and not any particular area,—decreased or increased our tonnage?

A. Well, Mr. Heenan, that is a little bit difficult to answer. I figured out at one time that Canadians lost some business when the price went from \$42.50 to \$50.00 and I figured that if we had maintained that low and satisfactory price of \$42.50 we might have had 200,000 tons more business spread over Canada. I am not sure of it,—we might only have had 150,000 tons,—but in my opinion if there is any difference it would not be any more than that; infinitesimal.

MR. ELLIOTT: Q. Of course costs were pretty high then, were they not?

A. No; I am referring to the last couple of years.

Q. I thought you were going back to 1929?

A. No, no. You see you have only 1,000,000 tons in the United States and you have 1,000,000 tons in Scandinavia. I have not the exact figures in front of me, but I figure 200,000 tons was the maximum loss that we have sustained in the whole of Canada. I do not know for sure; it may have been less than that, but anyway that is the maximum.

HON. MR. HEENAN: Q. You are not certain of course, that if we had still retained the price of \$42.50, that the Scandinavian countries would not have sold that 150,000 or 200,000 tons anyway at a lower price and secured that sale?

A. It would have taken part of it, because it would have lost the market. They might have taken part of it, anyway, because as I say they would have lost their market over in New York.

MR. DREW: Well, Mr. Clarkson, simply looking to the future I am in the hope of finding some answer to this. Have you considered the possibility of some international commission ultimately being set up on somewhat similar basis on somewhat similar lines,—naturally different, having regard to the different character of duties,—to the joint Waterways Commission?

A. No, I have not, Colonel, and I would be somewhat doubtful of the feasibility of it if this newsprint can be made out of southern pine. The United States government would undoubtedly want to encourage that as much as it could in itself.

Q. Then, do we not find this situation, that if the southern pine experiment is successful, some drastic change in our method both of production and competition must be devised, if we are to survive at all, that is, I do not say if we are to survive, but if some of the industries are to survive?

A. Conditions change you know, Colonel, and I would not like to say that. The position is simply, that at the present time, our costs are higher than Scandinavian costs; there is no question about that; their output is limited and last year it was 275,000 tons, which is the highest it has ever been, so compared with 3,500,000 tons a year consumption in the United States, it is not too serious.

So far as the southern pine is concerned, it is a question of whether or not they will be able to turn out paper equivalent in quality to Canadian paper. So far it is not, and it does not compare with it. I was told the other day that they were importing wood from Newfoundland. I do not know whether or not that is true, but if it is true, it means that they do not think they can produce a paper of the quality they would like to have. These are all conditions in the future.

MR. OLIVER: Q. You mean importing wood?

A. Yes.

MR. DREW: You mean those southern mills are importing wood?

A. Yes. I do not know whether or not that is true, but I am told it is, so that at the present time I have never considered the question of an international commission to control the situation. It is something one would have to think of and I believe it should be a little bit difficult.

Q. The reason I ask is, that it has been discussed before, and it happens that it was discussed at some length about two weeks ago in the Quebec Legislature, and there is just one point of which I would like to make sure. When I asked what you thought of the possibility of some such commission, you said there would not be any chance of creating a commission of that kind, if southern pine proves to be a successful development in newsprint. While I can quite see that if the southern pine experiment proves unsuccessful, then, with a tree which

I believe matures in about twenty years, it can be seen that they would very quickly attempt to meet their own needs from that source. But also, if that is so, it makes the situation the more serious from our point of view, as to our ordinary method of production and sale?

A. Of course, Colonel, it is not so very long ago,—and I remember very well,—that I was extremely glad to get pulpwood up at Smooth Rock Falls I had wood there to sell and I could not get more than \$5.00 a cord. Now, there is a very great difference. I do not know what the price of wood in the Southern States will be ten years from now. One of the arguments I have heard used against the possible success of those mills is, that with the demands from pulp mills down there, the cost to their stumpage will go away up. There are some differences in the character of their wood according to age, which puts them to expenses in selection which we have not got.

The only feeling I have about an international commission is, that I would rather think that the United States would go on to feel out this situation a bit before they would go into such a thing. It may be feasible, but I have never considered it.

Q. I think we can safely say this, that one of the most important factors to the stability of this industry in Canada, is the goodwill of the purchasers in the United States. Is that not so?

A. Yes, it is.

Q. I think we start from that point; that in this industry we are peculiarly susceptible to their goodwill?

A. If you can get it.

Q. Yes, I know.

A. There are some people who believe that goodwill is based upon price.

I think a great many American publishers feel that the \$50.00 price is a perfectly reasonable price for them to pay for newsprint, but how much of their goodwill you would have if someone went and offered it to them for \$49.00, I do not know. Very little, I would think.

Q. Perhaps I was not using the term goodwill quite in that sense. What I mean is their confidence in our good faith and in our business methods.

A. I must agree with you. If they obtain the confidence that we are not going to take advantage of them in any opportunities we have, then I think the basis would be much different than it was a few years ago, when they were caught in a pinch and the Canadian mills simply charged them an abnormal price. They did that to Canadian publishers, too. I happened to be a publisher at that time.

Q. Then you have had the experience from both sides?

A. I had the *Toronto World*, and handled it on a profitable basis. The price

of paper was put up and it wrecked the institution. I lost a lot of my own money before I got out of it.

Q. The suggestion was that it might be desirable to have some such international commission or association which, by acting as a clearing house for information as between the consumers and the producers, would eliminate some of the misunderstanding which undoubtedly has caused trouble on both sides. Would you think there would be any inherent difficulty in that?

A. I have a recollection of attending a meeting in New York where we offered to deliver whatever information required, do anything within reason, just to show them what the situation was. We did not get anywhere at all. They did not react to it. It was just coldly received and ignored. That attempt,—a bona fide attempt—was made. I do not say it might not happen, but I just have not very much confidence in it at the present time.

Perhaps a little later, if they feel they are treated differently and properly, there may be an opportunity, but off-hand I do not see it just now.

Q. In any event, I assume that the most effective body for the insuring of any proceedings of that kind, would be to set up some of organization independent of the government here in Canada?

A. Yes, absolutely. I would not think it could be a government organization.

Q. There was a question asked as to one of the subjects which came under discussion here a good deal, and on which there seems to be some division of opinion, namely, in regard to the question of the export of pulp logs.

Would you care to express an opinion as to the wisdom of that course?

A. I can only give you my opinion. Let me say there are a great variety of opinions on the subject. I do not think there is any question of doubt at the time when those Canadian newsprint mills were constructed, but that it was understood that wood from Crown lands would not be exported to the United States, but would have to be manufactured in Canada. You can see the reason for it, because if the United States imposed duties on newsprint or wood pulps, they could put a sufficient duty on it and the American mills could come over to Canada, buy their wood and under cover of that duty undersell the Canadian mills. So there is no doubt but that at the time it was understood that there should be no export.

At the head of the Great Lakes, first of all, there is settlers' wood and some privately owned wood which has been exported, and the Government has no control over it at all. It gets no income from it except for a very minor export tax. So far as settlers' wood is concerned, every government in Ontario has said to the mills, "We want you to buy wood from settlers which is located adjacent to your mills," and that has been done in some cases over long periods of years, until the settlers' wood, which can be laid down at a mill at a reasonable price, has been very largely cut off.

Up at the head of the lakes, not only have the Canadian mills taken that

settlers' wood in compliance with the request of the Government, but also you will find somewhere within the last ten or twelve years, between 2,500,000 to 3,000,000 cords has been exported from there to the United States, and the position which now exists is, that there is a shortage of wood up there available for export, or the costs of the wood they can get are so high that they are now looking around and trying to get Crown lands wood for export to the United States.

What I say is this: First of all, there was never an undertaking when these mills went up or an understanding that it would not be exported, so that they would be protected. You first have to contravene that understanding, and it may be argued that conditions have changed. So far as I am concerned, I think it would be inadvisable at the present time for the Government to prohibit the export of wood, because if you did so, you would cut off the business of \$2,000,000 or \$3,000,000 a year up at the head of the lakes and deprive that locality of that amount of income. I do not think this is the time to do it.

At the same time, looking at the picture in the long run, I think if Ontario permits the export of wood, particularly if it comes from the best areas up in those districts, you will delay the time when American mills have to come to Canada for pulps and other things of that kind which are made out of Ontario wood.

So my view of the situation is this: I do not think you can afford at the present minute and during a time of war, in our time of need for exchange, to cut off the export of wood, but I do not see any reason why wood should be exported up there just to take the place of revenues which dealers lose now, because they have cut off all the settlers' wood and so forth.

What I think should be done is, that a certain amount of wood should be allowed to be exported annually, depending upon the demands of the Canadian mills, the condition of employment and any other matters of importance which may come up from time to time.

I think it is a very curious situation to see that wood which can be exported to the United States bears no charges and wood which is manufactured by Ontario mills to pay up to \$2.24 a cord. That is not at all a reasonable situation.

HON. MR. NIXON: Q. Are you referring to settlers' wood?

A. Yes.

Q. No charge?

A. No charge except 25 cents excise.

There were some areas granted in 1937, in connection with the construction of pulp mills. In 1937, so far as pulp was concerned, it was in just the same position as in 1923, 1924 and 1925, in the newsprint game. There was a very heavy demand and mills were operating pretty well towards capacity. It was, undoubtedly, felt that that demand was going to continue and that there was room for these mills.

The experience of the Ontario mills for ten years prior to that was that they made no money. Sometimes they operated as low as 40 percent and 50 percent, and six or seven new pulpmills would put the pulp business in just the same position as your newsprint business, so I do not think the mills should be constructed. While the war is on there will undoubtedly be a demand for all the production they can handle, but after the war is over you have just another mess on your hands, like the newsprint mill.

My feelings are of two kinds. First of all, I do not believe that it is a feasible or proper procedure at this juncture, to cut off export of pulpwood. I would leave it in a flexible position so that depending on labour, demand of Canadian mills and other conditions which arise, the Government could determine each year the proper thing to do, but I think they should discuss the matter each year with the members of the industry.

It has been said that if you export pulpwood to book and fine paper mills in the United States, it will not affect the Ontario mills, because they do not compete with such mills. I think anyone can see that if you supply pulpwood to the border states you just increase the aggregate quantity, where you just reduce the demand of all the mills there for wood, and you reduce the demand for United States wood. Therefore, there is not the same use and the prices do not go up as they otherwise would. So it is entirely nonsense to say that because you are not selling to newsprint mills that it does not affect Ontario mills. It does, because it keeps the cost of pulpwood down to the mills in the United States which compete with Ontario mills in the production of newsprint and pulp.

The other matter is that wood which goes over to the United States is made into pulp and all classes of paper are made from pulp. There are mills producing pulp, so in sending it over you reduce the market for Ontario pulp. For all that, I think it is a very broad question. At the present time I do not think you can afford to cut off the export, as much as I dislike to. If you were to do so the immediate effect would be to lessen the income of those districts, and in the long view if you do it it will delay the time and the shortage of wood in those northern states will compel the mills there to come to Ontario.

MR. ELLIOTT: Q. How would you limit the export of pulpwood? Would you suggest that there be a quota or that it be regulated by terms?

A. The Government has control over Crown lands, and according to the concessions and the statutes by which Abitibi got it, they cannot export it; it has to be manufactured.

These Ontario mills rely on the Crown lands and the woods they take has to be manufactured in Ontario. If Ontario grants any further Crown lands it can impose a condition that wood from them shall not be exported except under conditions approved from time to time by the Government. I cannot define it but I think it should be easy enough to do.

Another matter: The feeling I have is that if it is unwise,—as I believe it is,—to construct these mills and you do not want to cut off the export of pulpwood completely, I would put a premium on it payable to the Ontario Government.

Q. On pulpwood exported?

A. Yes.

Q. What I have in mind is that if you were to regulate the areas from which pulpwood might be exported the Government would have to regulate it by granting permits to certain companies?

A. Well, you see there are two sides to the question. The United States mills say "We cannot afford to buy wood unless we can get it at a price." To get it at a price it has to come along on these areas on the lakefront close to transportation and the best wood up in those districts. If that wood there is given to them for export and if it later on is required in Ontario, it is not available.

Q. You can see the difficulties which may arise if the governments are compelled to issue permits?

A. No. What I had in mind was in regard to these concessions which have already been granted. The mills have not been constructed. I do not want you to cut off the export of that wood for the time being until conditions clear themselves and until this war is over. I would defer that situation and in the meantime charge them a premium on that wood and if the Government fixed each year the quantity of wood which could be exported, taking into account as I said, the labour, demands of the Canadian mills and the general condition of the industry, it would leave it in a flexible condition.

I might say I think there are a good many people who will entirely disagree with me. They do not think it should be exported at all. But, as I said, those are my own opinions.

HON. MR. NIXON: Q. Does the Abitibi export wood at all?

A. No, never. The only lands which we have and from which we can export are some veteran lands up at Smooth Rock Falls and it was on railway lands. Of course we own a lot of railway lands north of the Soo and near Fort William, but we have not considered the export of wood; we have not been able to.

Q. Have you investigated it at all as to the possibility of profitable operations?

A. No, we have not investigated it, Mr. Nixon, but my present view is that we need that wood ourselves and I would not export it. No, we are not oversupplied with timber, you know. You see, there is a great misconception in this regard. People think that if a company has a big area of lands that it has an enormous quantity of pulpwood. Well, in some areas which we have it is nearly 40 percent cut over, there are a lot of rocks and things of that kind. Anyone who thinks that the area represents the quantity of wood which the company holds, is entirely wrong.

In some districts there are two cords to the acre and in some districts at the head of the lakes there are ten cords to the acre, but the only way you can determine is to cruise. We are fairly well informed as to our limits, but we are not over supplied with wood. In fact, we are under supplied in some directions.

MR. OLIVER: Q. How many mills has Abitibi?

A. One in Manitoba; one in Fort William; one in Port Arthur; one in the Soo; one in Iroquois Falls and a pulpmill in Smooth Rock Falls. It has two closed mills, one at Sturgeon Falls and one at Espanola; another newsprint mill at Ste Anne de Beaupre, Quebec.

HON. MR. NIXON: Is that operating?

A. Yes, on the same ratio as the other mills.

Q. And you use some Quebec wood in your Ontario mills?

A. Very little now. I would like to clear that situation up with you. When the Abitibi went into receivership—let me put it this way: Abitibi, and for that matter, the Canyon Development owned by the Government, obtains its power from Lake Abitibi, which is the storage basin for all those developments. The right to dam the Abitibi river was secured under an agreement with the Quebec government under which the company was permitted to raise the water up to a certain level. When the water is raised to that level, sometimes a wind comes up and floods some lands in Quebec at the east end, and at times the situation became a little acrimonious. As a means of soothing it, Abitibi purchases wood over in that district.

In 1932, when I went into receivership, Abitibi not only had not one dollar in its till but it was \$1,000,000.00 short. So that it was a question of trying to get some money to run, and we bought in that area.

MR. DREW: That was one use to which you couldn't put your paper!

A. Not a bit. We bought 100,000 cords in Quebec, and by buying it I think it probably cost us a couple of dollars a cord less than if we had bought it in Ontario, and it helped us. From that time it went down until this year I think we are only buying about 10,000 cords over there.

As far as I am concerned, I think it is in the interests of Ontario, just as much as in the interests of the Abitibi Company, to buy a certain amount of wood from that district, if we can get it.

Then there is another thing: The amount of low cost wood up in that district is very rapidly reducing. That which remains is high cost wood. That is another additional reason why the low cost wood reserve should be conserved.

Q. In what area is that, Mr. Clarkson?

A. Up in Iroquois Falls.

HON. MR. HEENAN: Have you built a railroad in there?

A. We would have to build. You see, this is the situation: the rivers up in that country run north. As a consequence, you cannot drive wood by water from the large Abitibi extension limits. You would have to build a railroad in

there. The price of wood over that railroad, its operation, its amortization, would be three to four dollars a cord more than the other wood; and they should never have taken that concession on that basis; they should never have agreed to pay anything like it, and it is against the interests, I think, of the province to impose that penalty on them.

Q. How many miles of line have you in there now?

A. I forget, Mr. Heenan. I think it is between 25 and 30 miles, that is, main line. I am not sure. But you take the mill next to it, all its wood goes down by water, and it had to move its power site away north of the mill on a river, or you would have to construct a railroad. But its wood just comes down to that point where it had a railroad. It is put to no extra cost. Our position is entirely different, much worse.

MR. ELLIOTT: You mentioned that you favoured the export of pulpwood at the present time because of the need for exchange. That might become a very important matter in the next two or three years.

A. What I said was this. I don't like the export of pulpwood, but I recognize that you have to face realities, if I may put it that way, and at the present time, when Ontario and Canada needs exchange, that is one reason why I think you should not prohibit it now. The other reason is, that I don't think it is wise to take away two or three million dollars of income from that district at this time. But, on the long view, I do not favour export of pulpwood.

Q. Looking back to 1930, 1934, I believe the export of pulp and paper products to the United States was the greatest single factor in maintaining the value of the Canadian dollar in the United States; is that not so?

A. I am unable to speak about that. I do not know the figures.

MR. W. G. NIXON: We have tremendous quantities of poplar. Years ago, we used to ship an awful lot of poplar out of that country, but it seems to have dwindled very very much.

A. I am not able to speak about poplar. You can use it to a very minor extent as a filler in newsprint, but, so far as we are concerned . . .

Q. You do not use it?

A. We do not use it. But I think they use it in some other kinds of pulp, soda pulp.

Q. The only market is the export market for it, I believe.

A. I do not know about that. I cannot speak about it.

HON. MR. HEENAN: Mr. Clarkson, you said a moment ago that you thought it was in the interests of the Province of Ontario, as well as in the interests of the Abitibi, to buy your purchases of pulpwood in Quebec?

A. Yes.

Q. You might explain what you mean by that.

A. Well, to purchase a certain amount of pulpwood in Quebec.

Q. Yes, but how does it affect the province?

A. The purchase of a certain amount of pulpwood in Quebec enables us to maintain that water situation up at the head of the lakes on an amicable basis. So long as we continue to buy some pulpwood there, I think that will continue. If we were to be prevented from buying pulpwood, and mind you we are buying very little now, because we cannot get it, it would result in a certain amount of bad temper up there, and the first thing you know you would have another situation on your hands, a water situation. So I think it is in the interests of Ontario as well as Abitibi, having regard to the big power situation up in that country, to continue to buy a certain amount of pulpwood there, if you can get it. But we can't get very much of it.

Q. I thought you were thinking about it from another angle.

A. The other angle is this: you have up there low cost pulpwood. You have, I think, about three million cords of it. And that mill, when it is operating full, uses 200,000 cords a year. If you take that off the low cost limit, the first thing you know you will find yourself up against the situation where the only wood available to you is very high cost. As I said, to go over that railroad, it may cost three or four dollars a cord more, which would prejudice the ability of that mill to compete. I think it is far more in the interests of Ontario to extend the time of taking the wood off that low cost limit by bringing in some from Quebec.

Q. In the interests of conservation?

A. In the interests of conservation. That is what I mean.

HON. MR. NIXON: You operate on Crown lands in Quebec there, do you not?

A. We have one license there. Our lands are largely seignury lands.

Q. How do your dues to the government compare in the two provinces?

A. I cannot tell you that. Mr. Schanche can tell you that.

MR. SCHANCHE: You cannot make any direct comparison, because the stumpage rates in Ontario vary widely. Generally speaking, the rate for spruce on Crown lands in Quebec, I believe, is \$1.25 per hundred cubic feet. I have not the exact figure in mind.

MR. DREW: Mr. Clarkson, a few moments ago you were speaking about the fact that low cost wood is greatly reduced, and you were speaking particularly in relation to the Iroquois Falls area?

A. Yes.

Q. And you said you had now to deal with high cost wood. How general is that situation in the timber limits which you control?

A. Abitibi has a number of limits. You see, Colonel, here is what happened: in 1923, between 1923 and 1929, when the paper business was booming, there was a great demand for pulpwood limits. Most of the limits up at the head of the lakes were held by existing companies, and when they went to put up new mills, some of those mills had to go quite a distance away to get their wood. Abitibi had to go to the head of Lake Nipigon. But with the competition for these limits and the profitable nature of the business, they agreed to pay just exactly the same stumpage dues, and very heavy bonuses for wood cut from these far distant areas as were being paid for areas right close in. Of course, since that time, the business has just gone to pieces. The consequence is that you may have a limit paying certain stumpage dues and bonuses and another limit away off in the far distance paying the same dues and bonuses.

My view is that the stumpage dues and bonuses should be fixed on the basis of the accessibility of the limits and their physical and geographical conditions. I rather had the feeling that the Department of Lands and Forests feel somewhat the same way, Mr. Heenan; am I right?

HON. MR. HEENAN: Yes.

WITNESS: At the head of Lake Nipigon we had a limit on which we paid the same stumpage dues, and on which I think we paid the same bonuses, as another company paid on wood coming from a limit within 50 miles of its mill. There was absolutely no relation between the cost of the wood.

So what I say is, that where instances of that kind occur, if the Government wants to support or help this industry, what it ought to do is adjust these things according to the accessibility of the timber. That should be the measure of the charges upon it.

MR. DREW: There is another angle to it, Mr. Clarkson. Is it not correct that cutting has been done close in to the mills, and that to some extent, those stands have been exhausted, and consequently, they are now forced to go further away. In other words, selective cutting may have been on a mathematical basis, but not actually spread over the whole area?

A. Well, there is not any question of doubt, Colonel, that when the companies were in the gutter from 1929 to 1932, a number of them had, in self protection, to get their wood as cheaply as they possibly could, in order to minimize their loss or to get a dollar back for a dollar they put up. But with the larger companies, take Abitibi, that is not our policy at all. We do not high-grade our limits at all. Our idea is to spread the cutting in such a way that we will average our costs so far as we can over a period of years. That is the policy of the Abitibi Company.

Now, when wood is cut for export or for immediate sale, there is no incentive. You have to get the wood as cheaply as possible, in order to make as large a profit as possible. There is not any doubt, although it has been completely against the regulations of the Department, that some places in isolated districts

have been high-graded. But that is not the policy of the larger companies. Our policy is one of conservation.

Q. Would the policy you are now adopting assure perpetuity of stands?

A. So far as we can.

HON. MR. NIXON: What is the condition of the area that you cut over 30 years ago?

A. In the case of the Soo, which is the most prominent area of that kind, it was cut over 30 years ago. Mr. Schanche can tell you better, because we investigated that a couple of years ago, as I thought we ought to be able to go back and get wood there.

MR. SCHANCHE: In the Sault Ste. Marie area they started there, I suppose, back about 40 years ago. In some instances, the stuff on the areas that had been cut over 30 years ago, is coming along in good shape. But, of course, it takes at least 60 years in the Soo country for timber to become merchantable. Up in the northeastern part of the province it runs 85 to 90 years, so that some years yet will have to elapse before we can go back to that area in the Soo.

MR. DREW: We will not be watching the actual cutting, anyway.

MR. COOPER: What is the rate of regrowth in that area?

MR. SCHANCHE: In the Soo country there is a good quantity of spruce and balsam.

MR. COOPER: Balsam is growing up where the spruce was formerly?

MR. SCHANCHE: In many instances, yes. But it is not so pronounced there as it is up in the north country. There is a greater tendency for the balsam to come back than there is in the Soo.

MR. DREW: Just to get back to the other point, Mr. Clarkson, you do know, as a matter of experience, that during that very severe period there was a lot of high-grading of wood?

A. That is what I call it. I know that in some instances we had to take some of our close-in wood. It was a case of defence. As soon as we could get away from it, we went back to our old policy. When I say I know there is high-grading, I do not know of personal knowledge, but I have been told repeatedly that there was to a minor extent, to a certain extent. I have no doubt the Department knows about it. Is that right, Mr. Heenan?

HON. MR. HEENAN: I wouldn't know about it.

WITNESS: He doesn't know about it.

HON. MR. NIXON: The Department does not tell you where you have to cut?

A. Oh, yes. It has the right to do it. Under the concession we have to

go to the Department and ask them for permission to cut in certain areas. We select the areas and go and ask for their approval. That is what happens. The only time we are forced to do anything else is if there is a fire or something else of that kind, and it is in the interests of both the company and the Department to cut the timber before it goes to waste. But under the concession we have to get approval each year.

Q. But as a practical working proposition you decide where you are going to cut?

A. We decide where we are going to cut and we ask for the approval of the Department.

Q. Which is always given?

A. Always given, yes.

MR. DREW: Has your company gone in at all for any diversified lines other than the actual paper products?

A. No.

Q. To what extent are the other types of wood, other than the pulpwoods, being used?

A. You know Abitibi controls the Provincial Paper Company, and the Provincial Paper Company makes all kinds of books and fine papers and things of that kind. So we have newsprint, sulphite pulp and we have these books and papers through the Provincial. So that it is rather diversified.

Q. But on the limits that Abitibi controls you would, of course, have timber suitable for other purposes than paper of any kind?

A. The answer to that, Colonel, is this—the lumber industry, is that what you mean?

Q. To explain what I mean I will refer back to the discussions which I believe you have heard here. Some emphasis has been laid in the evidence to the desirability of utilizing all types of wood on any given area, and I am referring to that argument.

A. Well, first of all, my answer to it would be this, that the lumber industry in Canada and in Ontario in the last ten years has been in a very bad condition and has not made any money. If the pulp and paper companies on top of that were to go in and cut jack pine and make lumber, or things of that kind, it would just be making conditions so much more acute with probably pretty serious losses to them. I do not think it is in the interests of this province to have the paper companies embark on that business and bedevil the lumber companies' business.

Beyond that, too, I distinctly disapprove of the sale of other kinds of wood within a pulpwood concession unless it can be very clearly shown that they will

not endanger the pulpwood there. I do not think that spruce and jack pine, reserved to the Crown, should be sold to outside people, until the company that owns the concession has been consulted. And if they can show that the cutting of that wood would endanger their limit then it should not be sold. If it can be shown that their limits would not be endangered by it, then I think before it is sold the people who buy it should refund to the pulp and paper company all the charges that they have paid over a long period of years on the lands on which that wood is located. I do not think it is fair to make a pulp and paper company pay fire taxes on land for fifteen or twenty years and then have somebody walk in and take the wood off and not reimburse them for it.

MR. OLIVER: Would not some of that wood become over mature?

A. Oh, yes, there is no doubt wood becomes over mature.

MR. ELLIOTT: And you can be required to cut it if it is over mature.

A. Yes.

MR. DREW: But you never have been?

A. No, no.

Q. Mr. Clarkson, just at that point, here is one thing that I find it difficult to get clearly in mind. We have heard so much, and I am not suggesting that it is not correct, about the desirability of getting people on certain areas so that mature wood may be cut, mature pulpwood may be cut. But now, is there any difference in the necessity for cutting mature pulpwood and cutting mature wood of any other kind?

A. I would prefer Mr. Schanche to speak about that.

Q. He is your forestry man?

A. Yes. It is entirely a forestry matter. Would you like him here now?

Q. I think possibly I would like to ask him a few questions afterwards.

A. I would prefer that he answer that question. There are just two points which I should like to mention here. A company comes in here and it pays very large taxes year in and year out to protect its limits. Then somebody goes in there and may buy wood and endanger those limits. At the same time, I think that the pulp companies are entitled to protection. The next thing that happens is that this person gets this wood off lands, the very lands on which the pulp company has paid taxes to protect it for years and years and years. In that case I think they are entitled to some recompense for what they have paid for the wood that is taken off and sold elsewhere.

But so far as this over-ripe wood is concerned, Mr. Schanche is Abitibi's chief forester and I would rather he discussed those things with you. I am not competent to discuss them.

Q. There is another angle which I should like to discuss with you for just

a moment, Mr. Clarkson, and it is this: after all, there are two distinct phases of this problem. One is the combined industrial and social problem of the maintenance of the mill, and the other is the problem with which the investor is concerned. We are dependent under our system upon confidence in the minds of the investing public for money that we need from time to time for developments of this kind. It seems to me that the way in which confidence is to be maintained is something that we should consider in relation to the general method of control of this industry. Now, having regard to the future, and to the fact that we will assume the necessity will arise for extensive financing as other developments occur, and possibly for refinancing in the case of existing organizations, is it not so that the extremely wide powers under the Forest Resources Regulation Act are likely to create uncertainty in the minds of investors which may greatly interfere with investments in the future?

A. I will answer this way: There is not any question of doubt that the Forest Resources Regulation Act has undermined the security, to a certain extent, of pulp and paper bonds. At the same time, I have a very great sympathy for the position in which the province found itself when it found all pulp lands had been alienated or granted for the purpose of the construction of mills which were not proceeded with and which there was no intention to proceed with. It left those areas sterile, and there they were. So I sympathize with the province in the objects which it had in view in that Act.

But my opinion now is that in order to protect the industry there ought to be some means evolved whereby any mill or company could go to the province and say to them, "There is a limit to the pulpwood which I have on my concession; I need that amount for my mill. Unless you can confirm it, if you are willing to accept this, then you give me a clearance from that Act and exempt our limits from the operations of the Act hereafter." In other words, the company should have the right to go to the province and present evidence that the wood which they have on their limits is no more than is required for their mill, and with that done then their limits should be exempt from future impairment.

If that were to be done I think it would settle that question to a large degree. It is a comparatively simple matter. You cruise a limit and you find out how much you have on it. If the mill needs that amount of timber, all right. Then the company should have that for all time without any risk of its being taken from it. On the other hand, other people may disagree with me. I have a certain sympathy with the position in which the Government found itself in connection with certain difficulties up there.

Q. We will not disagree on that. Mr. Clarkson; I have too, and I am not raising this point for the purpose in any way of questioning the intentions behind that Act. What I am concerned with, looking to such recommendations as this Committee might make, is that it is not merely a question of industrial efficiency within the structure of each company itself; it is not merely a question of finding markets; it is a question so far as the future is concerned, of establishing some basis upon which those who wish to finance new industries can go to the investors and say, "We believe this is a good investment." As I see it now, I do not know how anyone could give satisfactory assurances in a prospective under this Act.

A. You were asking the committee, or the pulp and paper industry of

which I was chairman, to present a report. One of the points we were making in that situation was that, while we recognized reasons for the passage of this Act, we thought that a plan should be evolved whereby, when the company could assure us—they could cruise that limit and find out—and then be satisfied that the mill required that timber, they should clear it from the Act, so that once done there was a basis established which could not be undermined for the construction of a new industry. I think that that would cure the difficulty that you have in mind very largely.

Q. Yes, that is what I have in mind, something that would give some assurance of permanence, subject always of course, to the normal conditions being fulfilled.

A. Of course, conditions are so different now from what they were 15 or 20 years ago. I think that when concessions are granted, the quantity of timber upon them should be ascertained. The dues and bonuses should be established according, as I say, to their accessibility and their physical conditions. Then they should get a clearance from this Act, so that once given under those conditions, they are there for all time. Then you have a reasonably sane foundation. Hitherto, it has been too much haphazard. They have been put up for sale, and at times Abitibi has bid so much money without any regard to operating conditions. That time is past.

Q. You will be dealing with that question in the report?

A. Not that way, but I distinctly think that should be done.

Q. I know that that has been seriously considered in some of the problems of refinancing, the fact that no assurance can properly be given of protection under this Act.

A. Take the position so far as Abitibi is concerned. I do not think it is fair that we should be left in the position where, although the Act says that sufficient timber should be left for our requirements, somebody can come along and say, "You may think this is yours, but we are going to slice off so much from the limits." I think there should be a basis established where you could get a clearance from the Act.

Q. You made a point the other day which tied in with a statement Mr. Vining made yesterday. It struck me as being particularly important. Mr. Vining, without giving the exact figures, said that,—my impression is—something like 40 percent of the cost was power in this industry.

A. I wouldn't like to say that. I will tell you why. You see, they get power on two bases. Abitibi is the Iroquois Falls mill. We have a 30,000 horse power electrical development in one spot. Then we have a hydraulic and electrical development in the next spot. Then we have another electrical development on the next spot on the Abitibi River. And then we buy surplus power from the canyon. Sometimes in large quantities. That is one position.

Another position is at the Soo. We buy hydraulic power and we buy electric power. Then, up at the head of the great lakes in one mill, we buy all

our power from the Nipigon System. In the other mill next to that, we own our own power. In Manitoba, we buy power under entirely different contractual conditions at a lesser price than we pay in Ontario. So that when anybody says it costs 40 to 50 per cent, he may be right, but the conditions at every point vary. I do not know; it may be 50 per cent in one place and 30 in another, but I cannot say.

Q. What I was really mentioning the figure for, was not so much to tie it down to an exact figure for the whole industry, but it did indicate that a very much larger percentage of the cost is power than would ordinarily be understood by the public. What I have in mind is this: with that background I then recalled your statement the other day that you were able to get power at a very low cost in Fort William, because of some variable factors in the distribution of power there. I will explain what is in my mind, so that you can make afterwards, any comments which you think may be necessary. It was the fact that through the employment of certain variable factors in the distribution of power you were able to get a lower cost at that point. That struck me as suggesting that there may be something which can be worked out in regard to this whole question of power that would greatly assist the industry.

A. I think so. I have always thought so. You take this situation up at the head of the lakes. The Nipigon System up there probably would never have been constructed, had there not been a number of paper mills there to take a large quantity of the power which it produced. I am not certain about this, but I think the Great Lakes buys its power direct from the system. Mr. Rowe can tell you that, probably. On the other hand, the Abitibi mills buy their power from a local system. Here is what happens . . .

HON. MR. HEENAN: From the city?

A. From the city system. Here is what happens. They take the expense of the system and they deduct from it the income from these special contracts, if I may call them that, and the balance left is the cost. Then they apportion that cost amongst Port Arthur and Fort William municipal systems and they make them pay that price for power. Then, say Port Arthur gets a certain amount of power for which it pays \$20.00. It may be \$20.00 or \$21.00, I do not know the exact figure, but I would think somewhere around there. First of all, it sells power to the paper mills, then sells it to commercial customers. Then it sells it to the municipalities and then the householders; the result is a very wide diversity. That being the case, they sell power to the paper mills at, I think, either \$16.00 and \$17.00 a horse power, or \$17.00 and \$18.00. That rate is approved by the Hydro Commission. Then, if they sell on a fixed basis to the municipalities and they sell on agreed rates to different commercial undertakings, and on fixed rates to the householders, they land up at the end of the time with quite a large profit.

Now, when the Abitibi mill buys power from the local system up there, it buys 20,000 horse power. That is the maximum which it requires. But it is compelled at all times to pay for 75 per cent of that power, whether it uses it or not. The consequence is that when the demand for its products is down and it is only operating 50 per cent, it has got to pay for 75 per cent of the power at a time when its costs should be down to help out. Under distressed conditions, its costs go up.

So my feeling is that that situation should be cleared up in such a way that the municipality, having a large amount of labour that is unemployed, and which gets a large amount of business, there should be something done to reduce the cost of power, or at least not to increase it during the time when the mill is in difficulty.

I am going to another province where we have another mill. In the first place, we buy our power at a lesser price than we pay in Port Arthur. We pay for the maximum amount of power when we use it, but when we only use 50 percent, that is all we pay for. We do not pay for 75 percent, we pay for 50 percent, and if our mill is closed down we pay a stand-by charge. To Port Arthur, instead of paying a stand-by charge, we pay for 75 percent of that power.

I think there is a situation there whereby the Hydro and the municipalities might do something for these paper mills, particularly in preventing them from being penalized at the very time when they need help. By penalizing them, you reduce their ability to get added business and help the municipality.

HON. MR. NIXON: Of course, somebody has got to hold the bag in this picture.

A. I agree, Mr. Nixon. But the point about it is this; there is something to be said on both sides. The municipality is benefited by the sale of this power to the paper mills.

Q. Where you own your own power development, that is, if you are not in receivership, and if you are actually paying interest on the money you borrowed for that development, you have to carry the whole thing whether you are operating or not?

A. Yes, that is right.

Q. And the Government and the Hydro have to pay interest on the money they borrowed to make that development?

A. Yes, but you see . . .

Q. And you are supposed to be getting power at cost?

A. No, no, no, you are not giving it to the paper mills at cost at all. The system sells to Port Arthur and Fort William at cost; then when they get that power, they sell it to four classes of customers and the prices they fix are arbitrary prices. They could afford to charge the paper mills, if they wanted to, \$15.00 a horse power, if they charged the municipalities a little more; or they could charge the municipalities less for power if they charged the paper mills more.

HON. MR. HEENAN: Do the profits from that power go to the local Hydro?

A. Yes.

Q. Or to the Hydro Commission?

A. No; the local Hydro.

HON. MR. NIXON: And they actually built up large profits?

A. They built up large surpluses, yes. I have not the exact figures, but my understanding is that the Port Arthur System was extended largely out of profits they made out of the paper mills. As I say, there is a situation which is worth considering.

HON. MR. HEENAN: How does it come about that the Great Lakes buy their power direct from the Hydro?

A. It may be the location of the mills. They may be just outside of Fort William, and we are right within Port Arthur.

HON. MR. NIXON: You have your own development, too, on the Comeau River?

A. We have our own.

HON. MR. HEENAN: Do you know if there is any difference in the price of the power to the Great Lakes and to yourselves?

A. I do not know that. But the point I make is that it is an arbitrary price so far as Thunder Bay or Port Arthur is concerned.

Q. When your mill is closed down at Port Arthur, you have to pay the 75 percent?

A. I think that is the minimum.

Q. And you think the local Hydro uses that power for some other purposes at that time?

A. Oh, if they have a demand for it, certainly they do. It just depends upon the demand. If they draw so much less from the main system then the main system has surplus power and it may sell it as surplus power for steam purposes.

It is an intricate picture, but the point I want to make is that the mills pay an arbitrary price for their power; and with the contract situation as it is, when they are in their worst extremities their costs are increased. That is the only point I want to make.

MR. DREW: Really what I had in mind even more than that was this; that you spoke of these diversified uses of power and the effect it had on the lowering of prices in a certain way, and then suggested to me one can't simply say that there is an arbitrary price for hydro power at any given point. I am referring back to the conference that was held here last February at which the representatives of the Hydro said, "Well, the law tells us we cannot sell below cost, and that is all there is to it."

A. I think that in certain systems, Colonel, there are some contracts at special rates, whether they were inherited or not. But generally speaking, the

requirement is that they must pay costs. Now I say to you, that if the paper mills bought their power direct from the system they might have to pay it. But they don't; they buy it through another funnel which uses it for diversified purposes. And when that is done it is an arbitrary price that is fixed, it is not cost.

Q. Then, just to sum it up, in your opinion something could be done by conference between the Hydro-Electric System and the municipalities in relation to the companies.

A. I think there is a situation there where there is an opportunity to help the industry, if it is desired to do so.

Q. I just have one other question. Have you any figures yourself that will give some idea of the comparative values of our wood products in Canada employed in the pulp and paper industry and employed in other industries?

A. No, I have not.

HON. MR. HEENAN: Mr. Clarkson, with respect to the use of other species of timber in an area, we will say that you have an area of 2,000 square miles and that there is sawlog timber in that area. You say it would not be profitable or wise for your company to go into the sawmill business. Yet you say that although that timber might be mature you do not think the Government should sell it to another operator?

A. What I say is this, Mr. Heenan: you get an area of 2,000 square miles in there and you have some sawlog timber in there. Abitibi has for ten years been paying fire taxes and other things to conserve that area for the use of its mill. Let us assume there is some jack pine and spruce there, say it is over-ripe, if you like. I say that that should not be sold if it endangers the safety of that limit which Abitibi has carried and paid for over a number of years.

Q. I was coming to that.

A. And if there is such timber and the sale of it is contemplated or desired there should first be discussions with the company which holds the concession. Then if it can show you that these interests will be endangered, it should not be sold.

Q. You are speaking of it being endangered by fire?

A. By fire. On the other hand, if it can be shown that the timber can be cut, and precautions can be taken which will relieve this limit from danger, then go ahead and sell it. But if you do, I think the company should be compensated for those taxes which it has paid over a long period of years on the land on which that particular over-ripe timber is situated. Further, that when it is hauling and driving, the company owning the pulp limits should have priority rights in the hauling. The other companies should get in the way of it and mess up their operations and put them to higher costs. That is my own idea.

Q. I was not going to go into the over-ripe or ripe wood, I was going on the principle.

A. That is the principle. I am looking purely for protection.

HON. MR. HEENAN: But the position Mr. Clarkson takes, Mr. Chairman, would be handicapping, in my opinion, the development of other species of timber. Without regard to what the reimbursement or compensation should be I am of the opinion—I am not giving evidence and perhaps I should not put it this way; I am not a lawyer and I just use common, ordinary words—there is a cluster of trees that is suitable for sawlog timber and not suitable for pulpwood. If we are to take what I think you have suggested we would not be permitted to utilize that timber.

A. If it endangered our limit.

Q. That is because of fire. Now, then, the discussions with your foresters as to whether or not it would be endangered inevitably would be that it would be endangered. That would be the position which I think your foresters would take, having regard to experience in the past. Consequently you have an area of timber, a pulpwood area on which there is timber that you are not going to use yourselves and which we will be prevented from using for any other purpose.

As to the compensation end of it, on these 2,000 square miles we will suppose there is estimated to be so many thousand or million cords of spruce and balsam and that you are paying the fire protection charges on the whole in order to protect that spruce and balsam. I do not know whether I could be mathematician enough to say to you that the man who buys that logging timber now should go back and compensate your company, say, for ten, fifteen or twenty years for that area. Rather do I think he should take the area and pay these fire protection charges at the time he secures it.

A. Well, I think he is entitled to some royalty or something to protect him. I quite agree with you. I am not getting down to the mathematical formulas. I think there is a principle there.

Q. If that man had to pay the stumpage dues to the Crown and then compensate the company for what the company had paid then the price on those logs would be so high that he could not cut or sell them.

A. Oh, I do not know that.

Q. That is about the only thing that I disagree with you on.

A. That would not be so, Mr. Heenan, because the indications are, the way things have gone in the past few years, you know you have come to us and said, "We want to buy some spruce or jack pine in this area." We have allowed them to do it and they have paid 50 cents of \$1.00 premium. That goes to offset what we have paid on the protection of that timber for ten or fifteen years. I am not getting down to a mathematical proposition, but I think there is a principle.

HON. MR. HEENAN: When we adjourn to-day I should like if we could adjourn until three o'clock instead of 2.30. Mr. Nixon and I have a very important meeting to attend.

MR. DREW: Very well.

MR. ELLIOTT: We have concluded the evidence of Mr. Clarkson, and I presume you do not wish him back this afternoon.

MR. DREW: What is the name of your forester?

A. Mr. Schanche.

Q. Will he be here this afternoon?

A. Yes.

MR. SCHANCHE: If you want me, yes. But please understand that I cannot claim to being right up to the minute on all the theories of forestry. I am essentially an operator.

MR. DREW: I think, as a matter of fact, the questions which Mr. Clarkson preferred that you should answer really have more to do with operation than with theory.

MR. ELLIOTT: Gentleman, there does not appear to be any other witnesses available, other than departmental officials.

MR. COOPER: Oh, yes, Mr. DeWolfe is here.

MR. ELLIOTT: Oh, yes. Then we shall adjourn until 3.00 o'clock.

At 12.55 a.m., the Committee adjourned until 3.00 p.m.

AFTERNOON SESSION

APRIL 25, 1940

MR. ELLIOTT: We will call Mr. Schanche.

HERMAN G. SCHANCHE Called:

MR. ELLIOTT: Q. What is your position with the Abitibi Pulp and Paper?

A. General Manager of Woods Operations.

Q. And forester?

A. Yes.

MR. ELLIOTT: Colonel Drew, you intimated you wanted to ask Mr. Schanche some questions?

MR. DREW: Yes.

Q. Mr. Schanche, this morning we were discussing the question of cutting methods and so on and Mr. Clarkson said that he would prefer to have you answer anything of that kind. First of all from a general point of view rather than the point of your own particular company exclusively, I would like to have any comment you care to make as to the general forestry situation from the point of view of assuring perpetuity of our timber stands. Am I clear in that?

A. Yes, I think so, Colonel Drew.

To put it in very general terms and as briefly as possible, it seems to me to be absolutely imperative that these, may I say major forest using industries, namely the pulp and paper companies, be placed in a position where they cannot rate very nearly if not altogether on a sustained yield basis. Only through doing that can they hope to get a balanced cost of their chief raw material. Some of the mills have adequate timber behind them and some do not have adequate timber behind them. By behind them I mean under their control or for that matter even in sight. I think what Mr. Clarkson said this morning was very much to the point, if the various industries will again as they have done before consult with the Department with a view toward furnishing information such as may be available or where it is not available amplify it and show exactly what their position is from the standpoint of raw material. In many instances the information is made available in the first place by the Government and that has been supplemented by a very very large degree of work carried out by the companies themselves. By that I mean taking inventory so to speak of their stock. There seems to have gotten abroad an impression that certain of these companies have much more territory than they actually require. As a matter of fact that is not the case, speaking broadly, there may be isolated instances where that is so; certainly I know that it is not so in the case of our company.

Although this is perhaps a digression in a sense it is tied up with this question of how these smaller but nevertheless very important industries, or independent operators if we may call them that, how they are to continue to carry on their business. The statement is made that practically speaking the really accessible timber has all been alienated and that as this is now some of them with large sawmills on their hands or about to come on their hands say they must have timber and so they look to the concessions and say they must get the timber from the concessions. Where the stock on hand will permit of that then it should be made available but made available in a practical way I think if there is such a method that can be carried out. You understand it does not work very well to have operators come in on your limit and hack out here and hack there and hack the other place with possibly no relation to the shift where we happen to be operating, where the major operation is taking place.

It might be solved, this problem, by a concessionaire agreeing to bring out a quantity of sawlogs, let us say, or jack pine, materials suitable for manufacturing ties, and to make them available to this independent operator for sale direct or for manufacture rather than to admit him in on our limits in other words and cut right there with possible great detriment to our operation both in costs and otherwise. Possibly this concessionaire could take out that stuff while he is taking out the pulpwood and sell it, I don't know, to this so-called independent operator, but of course the joker there comes and it will easily be foreseen: We will say that such an operator comes to our company in a given area and it

so happens he wants us to make available a small quantity of such materials and we say, "All right, you want so many hundred thousand logs or feet, we will take it out for you in conjunction with our own operation and make it available to you at such and such a delivery point and our price will be thus and so." No matter what price we quote and even though we make it available at cost on the theory that we will benefit to a slight degree because our volume will be greater and our overhead come down a bit his contention will be, "Oh, that is too high, I am not going to take it, I can get it cheaper," and he goes to the Government and puts up the complaint, "These people are holding me up, I went to a couple of the loggers and they say they will give it to me, I can take it out for twenty percent less," and that is where you would run into a stalemate possibly on such an argument, but it is very dangerous and can work very greatly to the detriment of the concessionaires if they are permitted without first consulting with the concessionaire to go in and cut here and there and the other place, and then they say to us, "Well, we can't use these tops so you use them." Well, as you no doubt know in the newsprint and paper business if you increase beyond a certain point the percentage of tops you immediately run into difficulties of quality and also wood preparing difficulties.

MR. COOPER: Q. Were you here yesterday, Mr. Schanche, when Mr. Johnson testified, or the day before?

A. No.

Q. I understood that he made a statement that the basic industry should be the sawlog industry and that everything should be built around that. Do you agree with that?

A. Of course Mr. Johnson and I are very good friends, but we seldom agree.

Q. That is all right; I want an honest opinion?

A. I don't think I can agree with that. I think that certainly the two industries are inter-related but I don't think that we should say that the pulp and paper industry should be incidental to the sawmills of this province.

Q. You don't think you should take what is left over after the logger gets through?

A. Exactly.

There is one other point I would like to mention just now if I am not rambling too much in answer to your initial question: There seems to have been an impression got abroad, perhaps more recently than was heretofore the case, that it is next to a criminal offence to convert a spruce tree of sawlog size into newsprint rather than into lumber, but that is not the case; there is no product into which a spruce could be converted that will create as much value as through the manufacture of paper or pulp or newsprint. I just thought I would take this occasion to make that point clear. I haven't any figures with me by way of evidence but they are easily available through neutral and independent sources and I know that what I have just said will be borne out.

MR. DREW: Q. From what independent sources, because that is, quite frankly, one of the biggest problems I have faced since I have started this, to find an independent and neutral source of information?

A. There are numerous agencies; among others the Department of Lands and Forests of this province; there is the Dominion Forest Service, and a quite neutral agency would be the Wooden section of the Canadian Pulp & Paper Association.

HON. MR. NIXON: Q. Have you ever actually taken out sawlogs in connection with your pulp-cutting operations?

A. Yes.

Q. For an outside company?

A. Yes. And we have taken out ties.

Q. And it worked out quite satisfactorily?

A. Under certain circumstances, yes, Mr. Nixon.

MR. ELLIOTT: Q. Mr. Johnson, I think, pointed out too, that there are greater labour costs in producing sawlogs and lumber than there are with pulp?

A. I think in the final product there is a greater proportion of labour in lumber than there is in pulp and paper, the finished product.

HON. MR. NIXON: Q. If you were carrying out an operation of that kind, you would much rather take out the sawlogs for the other concern than have them in their operating alongside of you?

A. Yes, provided equitable price arrangements could be made. As I say, that is where the joker comes in, whether that can be done or not is subject to question. I think in most instances it could be arranged on a mutually satisfactory basis.

MR. DREW: Q. I think perhaps you will agree, Mr. Schanche, that no matter what else can be said for it, the pulp and paper industry and woods industry, generally, is not one in which the most complete harmony reigns as between different competing interests?

A. Well, I think, Colonel Drew, that that condition is very much localized and confined to relatively few. I have reference to the head of the lakes, that is the difficult place.

HON. MR. HEENAN: Q. Where is that?

A. The head of the lakes.

MR. DREW: Q. That remark was not made without some reason, because, actually, one of the greatest difficulties we have in this whole problem, as I see it,

is the difficulty of harmonizing interests and the number of people who seem to have very divergent viewpoints, not only as to the general proposition, but as to what their own particular rights may be, and the two do seem to blend extraordinarily in the evidence that is given?

A. Yes, I appreciate that fact.

Q. But, coming back to the point that was raised this morning, I think also Mr. Clarkson said he would prefer to have you answer: One of the main arguments, if it is not perhaps the main argument in favour of encouraging industries to go in and open up new areas, even at considerable expense to the province in some cases is that it is desirable to cut mature timber, and the point that I was making this morning, when you were here was that if that argument is sound in relation to those species which produce pulpwood, then why is that argument not equally sound in regard to every other kind of wood?

A. I think it is sound, but I would like to qualify that in this way, that I think that this constant reference to the terrific importance of harvesting this over-mature timber, if I might say so, has been very greatly overdone; I don't think it assumes nearly the importance that has been laid to it.

By way of illustration: Through the Soo country, and again out through a good portion of the head of the lakes country, the stand of timber that we have out there now is timber that has come in subsequent to huge fires, most of which occurred from ninety to, we will say, often may be a hundred to one hundred and fifteen years ago, along there. Now those fires have more or less laid the country waste but in due course the new stand came in. That new stand, then, on the average, let us say, is not much more than one hundred years old. Well, if it takes seventy years for it to grow to merchantability, that far from over-maturity just to reach merchantability, it follows that the proportion of timber that is becoming over-mature annually as yet is relatively small. I don't know whether I make that point clear.

Q. Yes, I think that is perfectly clear?

A. However, on a question of that sort, to be perfectly frank, I am kept rather busy on the operating end and I know that there are foresters right in the government service to-day, not only the provincial, but in the Dominion, who are equipped and qualified in every way, to give the actual facts with respect to this question of over-maturity, for example, and the part that it really does play and the degree of stress, if any, that should be laid upon it. And I think, if I might make a suggestion, that some of these men might furnish worth-while evidence to the committee. It sounds fine, you know, to talk about what a shame it is, here is this stuff all maturing and blowing over and rotting on the stump, and so on, we have got to get in and cut it. There is not very much of that, I think.

MR. SPENCE: Q. You refer to the spruce species?

A. Spruce, jack pine, balsam. Of course, there is, in certain areas, a considerable degree of stain and rot, but that has been going on in the forests all over the world since they were put there in the first place, and goes on every day all through all timber stands.

MR. W. G. NIXON: Q. What about the natural increment we have heard about?

A. I would much rather talk about logging. However, there again certain of the Government staff right here in this Department, the foresters, are most thoroughly qualified to give evidence on that score. I think that the increment in a natural set of conditions is sufficient to keep our stock intact, provided we can keep fires out to a reasonable degree. In other words, put it in another way, I don't see any need, except in southern Ontario, for any vast reforestation schemes; I think nature will take care of it quite well if we can just control fire.

MR. DREW: Q. And control cutting I suppose?

A. Oh, yes.

Q. Well now, I quite recognize the fact that it is not fair to ask you to go beyond possibly the workings of your own company, except for the fact that you have been in this for quite a long time and have been in contact with the conditions. One of the most popular complaints of those who are critical of the general situation in Canada is that there is not a sufficient control being exercised over cutting. I only refer to the fact because just recently I have had several pamphlets of different kinds on that particular subject?

A. Yes.

MR. DREW: Q. How far would you say we have gone in the direction of destroying our accessible timber by improper cutting methods?

A. First, as regards the cutting practice, that is to say what species are to be logged and what diameter are to be left and so on, it is necessary in order to have an intelligent basis on which to work that a great deal of research work be done, such as, for example, has been done in the Scandinavian countries and practically all European countries. Until you know the life history, so to speak, and the life habits of the forest you have, you cannot hope to lay down what is really an intelligent cutting practice.

In this province,—and for that matter in all this country,—there is still, in my opinion, a terrific need for further research work.

Looking at it from the other point of view, as to the locations in which the cutting has been carried out, broadly speaking, they have been doing it as economics demand it.

On the other hand, of course, there have been instances, as we all know, where a certain amount of high-grading has taken place. That is more often found in the case of the operators in one area, one year in and out again and into some other area and so on, if they have a holding of their own, however,—not necessarily a concession, but a sizeable area,—they can be and should be made to properly cut it. In other words to not strip the banks and move on to some other place.

Q. You have seen that done?

A. I have seen instances of it not only in Ontario but in Quebec and in in Manitoba; most of the places I have been.

Q. How could it more effectively be controlled? Have you any suggestion in that respect?

A. Well, that aspect can only be further controlled by more intensive governmental control, which costs money.

MR. SPENCE: Q. Or by sales or marketing of the product?

A. Yes, when we are speaking of high-grading, it would help to a degree.

Q. The operator cannot take anything out but the spruce?

A. Yes.

MR. COOPER: Q. It would almost involve having a government official on the ground all the time?

A. No, sir; they can lay down certain practices.

HON. MR. NIXON: Q. And follow up with an inspection and see that they are followed?

A. Yes, and if they are going to do that all through the province on a materially more intensive basis, it is going to cost money.

MR. DREW: Q. I do not want to put you in an embarrassing position, but personally have seen cutting done which was obviously against directions and it would seem to be a case which needed enforcement. I think you have seen the same thing. It was contrary to the directions given and would it not seem to you that it gets back to the basis of more rigid enforcement of the regulations?

A. To a degree. I suppose sometimes that carries with it certain difficulties. There have been instances, and many of them as the departmental records will show, I am sure, were such infractions that the operators responsible have been penalized. Sometimes they get away with it, so to speak.

MR. ELLIOTT: Q. Do the operators generally practice what they call select tree-cutting, or do they go in and desolate everything?

A. No, they do not do that. For example, in north-eastern Ontario in the Black Spruce swamp country it is conceded by all, I believe, that there is only one proper way of cutting over that type of country and that is what we call "clean-cut". If we do not, whatever is left blows over anyway, and is lost. That is in the clay belt of the Black Spruce swamp country.

MR. DREW: Q. In the clay belt?

A. Yes, and therefore in the Blue Clay swamp, when you cut through, you take everything; that is, merchantable timber. There is ample stuff left in the area so that it will come back in due course.

MR. COOPER: Q. Is it not true that where all the good spruce is taken away that there is an inferior growth of balsam and other trees?

A. In some cases, yes, but to come back again to the Black Spruce swamp country, suppose you have some of the spruce there, it would not stay there anyhow; it would blow over.

HON. MR. NIXON: Q. Suppose you left a lot of it there?

A. Then the cost of pulpwood would go so high that we would not be able to carry on.

Q. Is that not the practice of Scandinavian countries to a great extent?

A. Yes, but in many instances of course their conditions are totally different than ours and their timber values are much greater than ours. For instance, their timber is worth more to them now than at the stage which we have not reached yet. It is only when timber becomes of more and more value on the stump that people as a whole begin to take better care of that stand of timber. In other words, if our stuff here is worth \$1.50 on the stump and it is worth \$6.50 in Sweden, it follows that that concession is going to be more carefully handled where the values are that much higher.

MR. COOPER: How could that be? Why is it worth that when they can deliver it in the United States cheaper than we can deliver it in some instances? How can it be worth five something over there and only a dollar here and they can easily market it in the United States cheaper than we?

A. Their labour is less than one-half of ours in the bush.

MR. SPENCE: Q. Is power not a factor also?

A. Pardon?

Q. Is power not a factor also?

A. Yes, sir.

MR. DREW: Q. When you speak of it being of more value, do you mean only that it is of more value in dollars and cents to them than to us, or do they find it necessary to be more careful of it?

A. Well, they have husbanded their stocks on hand very carefully. They have built up this practice or practices over generations. I happen to be a Norwegian, so I think I know a little about it. Timber values for standing timber are far greater there than they have as yet become on this continent,—perhaps I should say “In Canada”, as this continent is a pretty big territory. But to continue, their standing timber values increase, so the natural tendency is to take measures to be more careful and see that it should be perpetuated.

Q. There is one point on which I am not quite clear. When you tell me of the value increasing, do you mean its economic value,—that is, to the nation itself,—or its actual value in dollars and cents?

A. Its marketable value, let us say. That is what decides it, after all. I can remember not so many years ago when stumpage was worth \$5.00 in the State of Maine.

Q. Do you mean by that, then, that in Norway those who own the trees actually get more for those trees than we here?

A. Oh yes, but I have to explain it. The condition is reversed in Scandinavia. There the stumpage values are high and labour is low; here our stumpage values are relatively low, although not low enough, and our labour is high.

Q. Low, but not too low?

A. No.

HON. MR. HEENAN: Q. A moment ago you referred to the species of timber and the method of cutting, and then dealt with more research. Do you mean by that, an estimate or survey? A survey and research are two different things?

A. When I say "research", I mean this: The first step is land classification; the segregation of forest lands from agricultural lands and the stock-taking of what timber lands we have. A great deal of work has been done by this province, and they have a vast amount of information, but I believe there is still more information required to be secured.

Q. And you were talking about estimating or surveying of timber?

A. Yes, but in addition to that, Mr. Minister, we must learn more about the life of these various species. How they grow, where they grow to best advantage, on what soils they grow best and how long it takes them to grow to maturity or merchantability, I should say. Incidentally, getting the true facts about this question of over-mature timber, is something in my humble opinion which is very largely overdone. That is what I mean by research, Mr. Minister.

Q. Then you pointed out to the Committee that in the matter of cutting sawlogs, in your opinion, the operator who has the concession would be in a better position to cut the logs and deliver to the sawmill, providing the merchant can reach an agreement on price. Would there be another practical difficulty there in this way: Assuming we have a sawmill located in the vicinity of the area in which you are operating, then you would be only disposed,—and I am now speaking generally,—to cut whatever logs you would come across in your operations of the cutting of pulpwood?

A. Yes, that is quite so.

Q. Suppose the sawmill has a large order and are short of timber, would not the difficulty arise that you would only cut for him when you were cutting for yourself?

A. That could arise; there is no question about that; that difficulty could arise.

Q. That is the difficulty we run up against in the Department. Some company wants a species of timber and we try to work it out in this way, that this company would cut for them what they want and do not cut until such times as they are able to cut for their own use. There is our difficulty. I agree that one operation is better than two,—far better in every way,—but if their different interests clash, then what?

A. That problem will inevitably arise, but possibly in most instances, I believe it can be overcome.

There is the other factor also; the concessionaire goes in and spends literally hundreds of thousands and sometimes millions in opening his limits. Now, an independent operator is allowed to go in, in order that he may secure the raw material for the product he manufactures, or for the product for which he has a sale, and if that is not very carefully considered first,—that is, all the aspects of the situation,—that man can very easily create himself into a nuisance value of the first class and he can hold up operations.

In other words, if he produces timber somewhere between you and the destination of your logs, or even back of you, and you start coming down the stream,—let us change it around and let us be ahead of him,—and the other operator comes down behind you, and maybe the market has fallen for ties or for lumber and he figures, "Well, this is a case of spruce, I guess I would be better off if I sold this spruce for pulpwood," and he comes to us and we say "Well, we have all the pulpwood we need; we do not need any more pulpwood, but what do you want for it?" He will say, "I want those and this and so-and-so" and we say, "Oh, we cannot pay that price." He then says, "Oh, that is too bad."

Then, one good day his bow boom breaks and his wood comes down into our wood and mixes with it, he says, "Gentlemen, I am sorry; we will have to sort; our boom broke by an act of God and our wood is now mixed." When you have to sort on the river, you bear costs on the proportion of the volume of timber involved. Suppose you had a volume of 10,000 cords and we have 100,000 cords, that is the portion we would have to stand. We say, "We cannot sort; it is going to cost us thousands and thousands of dollars," and he will say, "Well, you may not want to, but you will have to pay my price," and so we buy him off.

That is the sort of thing we have to stop from happening, because it is bad business.

MR. DREW: Q. You illustrate it so clearly, that I gather you have had some personal experience in it?

A. I have; it was not my boom that broke, though.

Q. No, I imagine it was the other way round. Do not think I am treating it lightly, because I realize the seriousness of what you say. You were illustrating it very clearly.

HON. MR. HEENAN: Q. In respect of the large areas it is generally thought

by the public, when you speak about 2,000 or 3,000 square miles, that you have too much territory. You have intimated here already that while you can have a large area you may not have a large enough area having regard to the sustained yield?

A. That is so.

Q. In other words, what I understand you mean by "sustained yield" is that when you start to cut on an area, you cut over that and get to the place from where you started and it comes up again and consequently you have it in perpetuity. I wanted to bring that out because it is a misconception of the public that timber companies have areas which are too large?

A. A very good illustration of that is in our Sault Ste Marie Holdings. In mileage they appear to the ordinary layman perhaps vast, great and far beyond what we require. That is absolutely not the case.

Q. 7,000 square miles?

A. Or more. The fact of the matter is that the way the timber grows in that particular belt and the quantities which occur per acre or per square mile are such as to mean that in order to get the total quantity required you have to have that much area. It is like growing wheat; you can only grow so much on an acre and that is that. On one kind of soil you can grow so much and on another kind you can grow much more.

In other words it would be better if you had the same quantity of timber on half the area. The different costs and what it costs you to open up the country, and the carrying charges would be that much less. Our operations would be that much more concentrated. A smaller area is better from every point of view.

MR. DREW: Q. To get back to the point which you have made in regard to cutting: I think it is an extremely important point and I am wondering how far it is going to be possible to utilize all the different kinds of wood on any or in any given area. If your point is correct,—and I am conceding that in certain cases it is obviously correct,—that instead of having too much actual timber area for a perpetual operation, there may be in some cases the areas which are too small, even though the areas are so great. As I say, conceding that, it nevertheless would seem to be an uneconomic operation on those huge areas necessary to maintain a plant of a particular kind, utilizing a particular species, you make no use at all of all the other species growing on the same area. Now, you have given one illustration of the kind of thing which can happen where two different operators, one an industrial operator and another a purely cutting operator are on the same areas, and those, of course, are practical problems which must be faced,—but I think you will agree with me that in Norway and in Finland,—and also in Sweden, where the value of the trees to the country is greater, relatively, than here,—that they do not permit that to happen.

Now, have you had the opportunity of studying at first hand the methods in Scandinavia?

A. To a degree, yes. The last time I travelled in Sweden and Norway was quite a while ago, thirteen years ago, in 1926.

Q. It was after you were connected with this business?

A. Yes.

Q. You were at that time a forester?

A. Yes.

Q. Can you tell us exactly how they enforce the utilization of the various species in the Scandinavian countries?

A. Well, if I recollect correctly, although it has been some time since I have given any thought to it; it is largely governed by government control. In other words, if a given area cannot be properly exploited, it is not permitted that it be exploited; they must go to some area where the industry can be properly located.

If I may, there is one point I would like to mention; there is absolutely no question in my mind but that in due course when and as circumstances permit that the paper industry in this country is certainly going to use jack pine as well as spruce and balsam. It is all a question of the equipment and research—mostly chemical research and equipment and process. Right now it is not practical; the costs would be relatively very high to include a large proportion of jack pine, but the time will come, without any doubt, when that will be done.

Here we find them, in the United States, for example, having difficulty with southern pine, but they are at least making progress. I believe they have very recently completed a study in the Forest Products Laboratory in Madison on the use of a gum, which has more or less been considered as a weed tree in the south heretofore. It opens a vast reserve. This idea that jack pine is going to be considered a weed tree by the paper industry for ever and a day, I would suggest, is absolutely wrong.

MR. SPENCE: Q. They use birch too?

A. To a small degree, yes.

MR. DREW: Well, how far is research going in Canada at the present time?

A. To the best of my knowledge at the moment I do not know of any specific research going on either industrially or through government agencies on the possible utilization of greater quantities of jack pine in the manufacture of various pulp and paper products.

Q. Do you know whether any research is being conducted under the Dominion Research Council in connection with this?

A. I do not know off hand. I cannot answer that question.

HON. MR. HEENAN: Q. What about at McGill?

A. I do not think at the moment; they have from time to time.

MR. DREW: Q. The reason I ask that is because after all it is perhaps a bromide to say it but it is nevertheless true that at present we are facing an era where research is perhaps vital to the continued existence of many industries?

A. Yes, but the general tendency, as you know,—and I believe this is a fact—is entirely too much in the reverse. When times are bad the first fellows who get fired are the research. It is said, “We can get along without them; we can make our production, wherever it may be—lumber or paper; we will have to let them go.”

There are very few industrial concerns which have a different policy than that. I think the Bell Telephone Company is one; big electrical companies are another—like General Electric and Westinghouse—the harder times get the more they spend on research in order to bring down costs. The industry as a whole generally goes in reverse. I think that is general proof.

HON. MR. NIXON: Q. I think when times were toughest for the nickel people they spent the most in research?

A. And I think that is typical of the right way in which to do it.

MR. DREW: What I have in mind is that we are confronted at the moment with two extremely important threats to the continued prosperity of the newsprint and general forest industry. One is from the southern pine and the other is from lower wages and possibly greater experience in Scandinavia. It would seem to me it is obvious that one of our greatest needs in this country is research which will keep our mills and the industry generally in line with those two important threats. Would you not agree with that?

A. Absolutely.

Q. Then will you agree with me that one of the most important single things which can be done in this country at the moment in regard to the Forest Industry generally is the establishment of some effective co-ordinated system of research?

A. Yes.

Q. Have you any suggestion as to how that can best be set up?

A. I can only speak in that regard really for the pulp and paper industry. The set-up in that case already exists and has existed for quite a number of years past through the Research Institute as it is called—that is not the Research Foundation, but it is the Research Institute, which is a co-operative arrangement between the Canadian Pulp and Paper Association, McGill University and the Forest Products Laboratory of the Dominion Forest Service.

That outfit is perfectly capable of doing a vast amount of research—and has done a great deal—but it is the old story of where to find more money with which to do more research. That is what it all comes down to in the end. Machinery, as far as pulp and paper is concerned, is already in existence and has been for

many years past. Such staffs as they have been able to maintain with the money available, are composed of excellent men. I have in mind Professor Hibbard, who is a cellulose research expert, formerly of Yale University, now with McGill University. He is considered the outstanding authority in the world on cellulose, and he is identified with this machinery which I have just mentioned as already existing.

As I say, it all reverts back to the question of finding more money, in order to employ more men and get more equipment, in order to broaden the research field and collect the findings or results.

Q. You have heard the suggestion here, that the control of the industry and its output should be under some form of board or commission operating first of all in the provinces of Ontario and Quebec. Would you go so far as to suggest that the activities of this Research Council might be tied in with the activities of that board or commission?

A. I would think there should be a definite relationship between the two; just how intimate that contact could be from a practical point of view, I am not prepared to say, but certainly research is tied up with sales. I mean the more economic your operation, the greater the possibilities of sales and therefore the two are related, but I think that contact would automatically come about through the Paper Association, Colonel Drew. Any such commission unquestionably would be very closely tied in with the Canadian Pulp and Paper Association. That being the case, they are automatically tied in with the research work of the Association.

Q. I have this in mind, and I would like to have your comments as to its practical nature. It seems to me it goes further than merely having the two related, because as I see it, research does not confine itself to the attempt of finding new ways of utilizing wood products—either by chemical or mechanical means—it seems to me that research, in regard to this industry, starts first with the attempt to improve existing conditions and then either from a mechanical or chemical point of view; and secondly, to find new mechanical and chemical means of utilizing all our forest products. And then research goes beyond that, to the point of considering questions and industrial efficiency having regard to the fact that our market is almost entirely an external market—meaning world competition—and on top of that research, a scientific research into sales method, based on these fundamental starting points. If those are tied together, it seems to me that you cannot separate the purely scientific and industrial, that they are all part of a composite picture, and you might very well have some over-riding body which would have one division devoted to chemical and mechanical research, another to industrial research and another to sales research. Would that seem to be a practical outline?

A. Yes, to a degree. Of course, that is a very wide territory for, let us say, one commission composed of three men to handle.

Q. I am not suggesting that we simply say to the Newsprint Committee, "You take over these jobs." I do not mean a three-man commission at all. What I am talking about, is some organization which would be adequately-staffed, in order to deal with these various problems?

A. Well, I think there has been thought for some time past along lines somewhat as you have cited, namely, a reorganization of the Canadian Pulp and Paper Association, and the bringing under jurisdiction of that Association of the activities of a number of other associations, all with a view towards avoiding underlapping and overlapping of effort and co-ordinating effort and a very exhaustive survey has been made by an outside firm, incidentally, looking into that possibility, and report has been made on it. For the moment, I am told it has been considered, probably more for financial reasons than any other, but there has been very considerable thought and work done along those lines.

HON. MR. NIXON: Q. The operators in pine have done a good deal of research towards finding new uses and popularization of the product?

A. Yes.

MR. DREW: With the companies?

A. With the association which is composed of the principal companies.

Q. You mean with the Newsprint Association?

A. No, the Canadian Pulp and Paper Association, not the Newsprint Association.

Q. Oh, yes; that is the older association?

A. Yes.

Q. You see, Mr. Schanche, I am trying to find or get some suggestion as to a future policy, because I for one, do not see that there is any use in becoming fatalistic about it and simply accepting a sort of economic stagnation which is going to come if we do not move, if there is something along that line which can be worked out. I think we should come out into the open and discuss it. I think any suggestion that can be made should come out into the open?

A. Frankly, I did not, until you mentioned the point, give any thought to the possibility of the use of a commission other than in connection with the controlling of the output of the industry and the controlling of the sales. In other words, as has been remarked upon by Mr. Clarkson and the other witnesses, as to whether the field of such a commission could be broadened so as to be all inclusive of all matters having to do with the industry—and if I understand you correctly, that is your point—I do not know. I would rather question that. Contact would automatically exist between the sales and research, and the sales would have to conduct its own research into sales methods, but off-hand I have not given enough thought to it, and I do not know whether such a thing would be practical.

Q. In any event, to close my questions on that point, you feel that there is great need of much more active research in regard to the utilization of our forest resources?

A. Yes, and for methods of exploring them. By that I mean right in the

bush. There is still vast room for different means and methods of logging and greater degrees of mechanization and new methods of carrying out steps of the operation. Of course money is being spent constantly on that and very considerable progress has been made in the last ten years particularly; it may even go up to 10 to 15 years.

Q. I suppose one obvious point is that if the companies once reach a satisfactory financial position where they are not simply living from hand to mouth that they would be able to go much further into the utilization of these various types of wood.

MR. CLARKSON: There has been a great deal of money spent in regard to equipment for our mills.

THE WITNESS: Yes, but I am speaking for the industry as a whole.

MR. DREW: I was not suggesting that it went that far, but he was pointing out that there is a great deal to be done in that direction in regard to research.

Q. As you will agree, subject to whatever methods of detail which may be worked out, there is great need for some active form of research organization in this industry?

A. Yes, and I of course speak primarily about the technical end rather than the mill.

MR. COOPER: Q. When you were in Sweden did you learn how they sort their logs on the stream?

A. What is that?

Q. As to how they sort their logs and get around the difficulty of one operator with the other?

A. Well, there is a great deal of use of what are known as what might be termed "Driving associations" which are mutual driving companies and they simply sort in the usual way. That is an expense, of course.

Q. I am told there would be maybe 60 operators on one stream and that the logs all go together and are sorted?

A. They have some very comprehensive sorting systems over there, but of course it costs money.

MR. DREW: Q. But the logs all go together and are branded at the end?

A. Yes.

Q. They are all stamped and branded and go through the stream together?

A. For instance on the St. Lawrence River in Quebec it is handled by the St. Maurice Driving Association. They have quite an elaborate association.

MR. COOPER: Q. That would get around the difficulty of which you speak at the beginning of your evidence, about booms breaking away and one thing and another?

A. Yes, but you would still have the added expense of sorting. If you can avoid the sorting expense you are ahead of the game.

MR. ELLIOTT: If there are no further questions of Mr. Schanche, we will call on Mr. DeWolfe, who, I understand, wants to get away to-day.

A. H. DEWOLFE, Called:

MR. ELLIOTT: What is your full name?

A. Allan H. DeWolfe.

Q. With what firm are you associated?

A. I am with a company named The Arrow Land & Logging Company Limited.

Q. I understand you want to get away to-night. Are you catching a train?

A. I am not going to be able to make it so it won't make any difference. I wanted to get out to-night but I cannot.

MR. COOPER: Mr. Chairman, I have here a summary of questions along the lines of the information which Mr DeWolfe wants to present to the Committee. I think if I asked him these questions, and then you could probably question him afterwards, it might save a certain amount of time.

MR. ELLIOTT: All right.

MR. COOPER: Where is your company operating, Mr. DeWolfe?

A. At the present time we are operating at a place called Aroland, which is just west of Nakina. We are located in what was formerly called the Long Lac limits of the Great Lakes, but we are now in the Pulpwood Supply Limited.

Q. You are a pulpwood operator?

A. No; we are operating in ties and lumber.

Q. What other interests has your company in Ontario?

A. We have a couple of timber licenses at Hearst, two townships, that we have been clearing for a good many years, since 1926 or 1927, I believe. But we have not been able to operate. Then we have patented lands in the vicinity of Timmins which contain predominantly spruce pulpwood.

Q. You have had some difficulty with your Timmins operation?

A. Well, we lost some money there. We tried to operate for mine timbers,

but the market for mine timbers calls for specified sizes, and it meant that we would have to go out and high-grade our timber in order to get those sizes, and we discovered or at least we realized that the only way to operate the limit economically would be to operate it as a pulpwood operation.

Q. Why can you not do that?

A. Well, in the first place, market prices are not high enough so we could market it locally. We were unable to find a local market for it. This wood was export wood. Since it was purchased the price of pulpwood in the export market has dropped down against a constant freight rate. It has got down to the point where the freight rate absorbed about 78 percent of the delivered price of the wood in each particular case; that is, in the market I explored.

Q. What is it in dollars and cents, Mr. DeWolfe?

A. Well, last year, I canvassed several mills in northern New York, and the price at that time was from \$13.50 to \$14.00 a cord.

Q. What was the freight?

A. The freight in that same zone was \$10.50.

MR. OLIVER: A cord?

A. A cord.

MR. W. G. NIXON: For peeled wood?

A. That was peeled wood, yes. On rough wood it would be a good deal more than that because it would be heavier.

HON. MR. NIXON: \$13.50 a cord in American money?

A. Yes, that was American funds. That was last year, but they were practically the same as Canadian funds.

MR. COOPER: What attempt did you make to get the freight rates adjusted?

A. After canvassing the field and getting potential orders which amounted in the aggregate to over 100,000 cords, I prepared a brief and submitted it to the T. & N. O. Railroad Company pointing out that if they would cut the rate back to \$5.50 a cord there would be a market which would yield them half a million dollars of freight. The railroad representatives told me they were very much in need of southbound tonnage; that they were coming back from the northern mine fields with a lot of empty cars, about 50 percent of them empty, as far as Toronto, which is about two-thirds of the way to the pulp market.

Q. Have you a copy of the brief which you prepared at that time?

A. I have not got it with me. I have one which I can supply you with later. We were unable to accomplish anything thus far with the thing. I have brought it up again, and I don't know whether we will get anywhere or not.

HON. MR. HEENAN: You took it up with the T. & N.O.?

A. Yes; took it up with the T. & N.O.

MR. COOPER: If the company met your request, what would be the movement on the railway, how many cars?

A. From the government reports, I see where the rail wood shipments back in 1928 amounted to 600,000 cars. That has dwindled down to somewhere less than 100,000 cars. I do not know just what portion of that came from that area, but I understand a very large portion of it came from there.

I believe that a very substantial market could be built up again, and that would not interfere with the present market for export pulpwood from the Great Lakes, because the wood that goes from the lakes goes into the Wisconsin and Michigan mills, whereas the New York mills have not been reached by that wood from the lakes.

Q. Is there any wood going down from the T. & N.O. region to the New York area?

A. There has been some, but it is mostly from the shorter end of the haul. I mean to say, as your price goes down, the distance which you can haul it is lessened and, consequently, they are able to move some of it down this way, down near North Bay, whereas, they could not move it from the upper end, say from Cochrane and so on.

Q. So your Timmins operation is entirely at a standstill?

A. Entirely at a standstill at the present time. We had to close it up and take quite a loss.

Q. What about Hearst?

A. Well, it was obvious that if we could not market our stuff from Timmins, where we had freehold timber and no Crown dues to pay, and where it was tributary to a river or to Iroquois Falls with a three-cent freight rate, there was no chance to go into Crown timber on a timber license where we had to pay Crown dues and pay much greater freight rates to get it to the mills.

The freight rate to Kapuskasing, for instance, from Hearst, is five and a half cents; and from our limit just west of there, 25 miles, it is seven cents. They informed me the other day that there would be a ten-cent increase in that, taking effect in June.

So those rates, coupled with the stumpage, made it obviously useless to try to market our stuff from there. Our best chance was at Timmins, as far as pulpwood is concerned.

Q. Do you know the amount of cordage of spruce and balsam on your Hearst limit?

A. The records we have show about 1,000,000 cords of pulpwood. I do not

remember whether that is all spruce and balsam or not. It might take in jack pine.

Q. How long is it since you have operated?

A. We never operated at Hearst. But we carried the license, I think, since 1927. The only operation we have now is at Aroland, which is a tie and lumber operation.

MR. OLIVER: In your conversations with the railway officials, did they offer you any redress at all in connection with the freight rates?

A. No; they said, to make a drastic cut like that would upset the freight rates in other districts, and they couldn't see their way clear to do it. I think we might have gotten a cent, may be a cent or a cent and a half, off, but that would not have been of any help to us on a thirty-three-cent rate.

In 1915 the rate, I believe from Englehart down to Johnstonburg, which is about equivalent in distance from Timmins into the market I was going to, was fifteen cents a hundred. It is now twenty-five cents. So you see the amount of increase there has been since 1915.

Those rates advanced gradually. In fact, they advanced more slowly than commodity prices and costs. The railroads were away behind the other services and commodities, as far as the rise in price was concerned, until 1918. Then, under the McAdoo award they got a 100 percent increase overnight, and the Canadian railroads followed them. I think that only brought them into line with other things. Wheat had gone up to \$2.00 a bushel. Lumber was selling at \$60.00 to \$70.00 at the mill, and all that sort of thing. Lead and zinc and commodities were high. The railroads got that final increased rate which they needed.

It is a hard thing for a railroad to get its rates up. They being a public utility and their rate structure governed more or less by the Board, it is harder to get action on it than it is for a company which produces some product and sees their costs are going up, they automatically raise their price. They had one or two small increases, I believe, after 1918, but there has been very little drop. Meanwhile, commodities have come away down. Wheat has come away down from \$2.00 a bushel, and pulpwood has come down from \$24.00 a cord on the same New York market down to \$13.00 or \$14.00. But your freight rate is still \$10.50. Now, \$10.50 taken out of \$24.00 wood was all right. They could live. But you can't take \$10.50 out of \$13.50 wood because it only leaves \$3.00, and it costs more than that to cut it and peel it under our Industrial Standard Wages Act.

MR. ELLIOTT: Is it open to the railroads to give you a reduction without going before the Board?

A. We have not got that far yet.

Q. But it is open to a railway . . .

A. I hope to be able to present this case before the Board of Railway Commissioners.

Q. Is it your understanding that a railway cannot give you a special rate on a branch line, without consulting the Railway Board or a committee of the branch railway?

A. I do not know whether they can or not. They were going to take this up. Most of the cases where you apply for freight rates, you apply to the road on which the tonnage originates, and they apply to take it up with the Board and the other roads.

MR. ELLIOTT: Have you anything further to submit, Mr. DeWolfe?

A. Another point in regard to that freight rate . . .

HON. MR. HEENAN: Before you leave that, are you now operating on the north end of Long Lac?

A. Yes. Another point in regard to freight rates on pulpwood —

Q. How does it affect you from that point?

A. From that point, we could not move wood out of there at all. As a matter of fact, we do not own the pulpwood on the limit. We do not have any cutting rights on it. I offered the Pulpwood Supply Limited to take the tops of the small species interspersed with the big sawlog timber and put it into pulpwood and deliver it to them on cars at Aroland, which would mean they would have to haul it about 40 miles down to the Long Lac, and at that time they were not interested because it would mean more expensive wood than we could get on other parts of the limit.

Q. That is not what I mean. How do the freight rates now affect your business at Long Lac?

A. Our freight rates at Aroland are one of our worst handicaps in trying to live up there and one of the important factors in our cost. But there is just one point I want to take up about this New York thing. In relation to the freight rates into New York state or from the Timmins area, the rate is governed to some extent, as I understand it, by the value of the product. It seems to be out of line with lumber from the same areas. Lumber shipped down into New York state will sell at an average of \$35.00 a thousand, weighing roughly twenty hundred. In other words, the value delivered is about \$1.75 per hundredweight. Peeled wood, estimated at 3,400 pounds and selling at \$14.00 down there is only 42 cents per hundredweight of value delivered. And yet we are paying about the same freight rate on the product that is valued at 42 cents a hundred as we are paying on a product that is valued at \$1.75 per hundredweight. I just wanted to say that I think pulpwood should be classified different from lumber.

When you ship lumber into the New York state it is regarded as a pretty perishable product. It has to be well dressed and slipped back in the cars so that it does not shuffle around in the cars and you have to put paper around the

doors to keep the coal dust out. You can put pulpwood into a car and it is not going to be damaged any.

MR. SPENCE: Is there not enough shipments from up around Timmins to warrant the T. & N. O. putting on a solid pulp train as they do a paper train? What do your shipments amount to?

A. That would not be necessary. They are coming back southbound now with empty cars. About 50 percent of them are empty. The wood business died out due to a receding delivery price against a fixed freight rate. That is one of the main causes, I think.

Speaking of the situation at Aroland, we had a fairly good experience the first couple of years in there because we had a local market for our lumber. The Long Lac mining field was growing like a mushroom, and we sold our lumber direct and had no selling commissions; and our freight rates, while they were relatively high, were for a short haul and we were able to realize a good net mill price.

We made a little profit the first year, and then that market died out. For 1938 it was lost entirely. We had to go out and find a new market. When we began to ship into southern Ontario and into the border states we discovered that the freight absorbed 25 percent of the sales price of the lumber. That is one factor.

Situated in the interior of the country on a non-competitive point where you have no water competition and no competing road, you are in a disadvantageous place. For instance, to ship supplies into our camps, into Aroland—for instance, on the railroad it is about the same distance from Port Arthur to Aroland as it is from Port Arthur to Heron Bay down along the lakeshore. The railroads in the summer time will give a summer rate for moving supplies; this rate is about 22 cents. In the winter it jumps to about 80 cents, after the fall.

MR. DREW: You mean for the same type of supplies?

A. The same type of supplies, yes. As long as navigation is open you will get this competitive rate; but if you are living in the interior, or operating there, you are paying the winter rate the year around. It costs about 85 cents a hundred to take all our supplies up.

An operator at Port Arthur or around Nipigon or any of those places where you can have truck roads can buy hay at \$10.00 a ton at Port Arthur, and \$1.00 or \$1.50 will put it in the camps. We have to pay \$5.00 freight on it and then probably \$4.00 to take over the lakes and portages, and that costs us about \$19.00 as against \$12.00 delivered in the camps along the lakeshore. Consequently your hay and oats represent part of your power, if you are using horses. The same thing happens if you are using motor power.

Q. Would there be a similar difference right along there? I am very much struck by the difference between 22 and 80 cents a hundred. Would it be similar at other points along——

A. Along the lakeshore?

Q. Yes?

A. Yes.

MR. SPENCE: When it can be done by boat it is very cheap and the railroad competes with that rate?

A. Yes. I am repeating Mr. A. L. Johnson on that because I heard Mr. McGraw read that in a brief here the other day at the lumber conference. I asked him about it and he referred me to Johnson. Johnson told me that the rate is 22 cents in the summer and 80 cents as soon as navigation closes. That was the only difference. It is 85 cents the year around. There is no summer rate, and that is the condition that anybody has to meet in the interior on a non-competitive point.

If we ship lumber in to Port Arthur we have a $17\frac{1}{2}$ cent rate. That is approximately \$3.50. And that is a distance of 240 miles. If we ship it to Beardmore, which is almost exactly half way, 120 miles, the rate is $16\frac{1}{2}$ cents as against $17\frac{1}{2}$ cents for twice the distance, or a difference of 20 cents a thousand. In other words, it is \$3.30 a thousand to Beardmore, half way, and \$3.50 a thousand to Port Arthur, twice the distance. The answer is that Beardmore is not a competitive point and we are not situated on a competitive point.

The same thing is true in shipping from Aroland into southern Ontario—we are not on a competitive point.

There is another argument, that we are not in a zone where there is sufficient density of traffic to give us a competitive rate. The density zone, I believe, ends at Capreol, where the density of traffic is what they call competitive territory. We pay from Capreol into the market plus an arbitrary rate, and only this last year we paid the rate from Sioux Lookout, which is 200 miles west of us, when we shipped lumber to Toronto or Buffalo. We were intermediate, as they called it, to Sioux Lookout. It is only within the last few months that we got that adjusted.

MR. SPENCE: How do your dues range? Is there any difference, based on the accessibility to your market? Are they less, or what is the position with respect to dues?

A. Up where we are we pay \$6.50 for jack pine and \$5.50 for spruce. Now, that timber produces low-grade lumber, comparatively low-grade lumber. I mean to say, your percentage is less in your No. 3, 4 and 5 boards. You will get very little No. 2, less than one percent of No. 2. We have had years when we got a little larger than that. But with the low-grade lumber and all the other handicaps, such as freight rates and high-wage schedules, we think that \$6.50 is too much for timber situated back in that territory.

HON. MR. NIXON: That is the price you bid for it some years ago?

A. That is the price that was arranged. That price is quite a reduction from the original price on sawlog timber, I believe. I think the jack pine price, when the Great Lakes Paper Company held that limit, was about \$12.50. I remember we got a bill for \$12.50 a thousand.

MR. ELLIOTT: When was that? When did they get their license?

A. That was under the concession that they held a number of years ago. We went in there in 1935.

HON. MR. NIXON: But they were not operating?

A. They were not operating.

Q. They were not sawing lumber anyway?

A. No, they were not sawing lumber.

MR. SPENCE: They never operated in that area at all.

A. Not in that area at all. I do not think so. But in that same limit, or located at the back end in the interior, I think that stumpage prices should be lower to help compensate for some of the disadvantages you have.

I do not know whether I am right or not, but there seems to be a discrepancy in the price of sawlogs as against pulpwood sticks of the same size. I understand that jack pine in lots of cases is sold as pulpwood. The Crown dues amount to 50 cents a cord. Well, now, our logs average a little better than 9-inch top. According to the Doyle rule, that would take 40 logs to make a thousand. At \$6.50, divided by 40 logs, that would be $16\frac{1}{4}$ cents per log. That is what it costs us. If you take the same size log, pulp stick, 9 inches, and jack pine, and it contains, say, 9-inch top, 16 feet long, and contains 8.7 cubic feet, or about $11\frac{1}{2}$ logs to the cord, you would be paying 4.4 cents for the same log buying it as pulpwood.

Now, there is some apparent discrepancy in spruce in the same limit, although not as much. That would be 13.8 cents as against $9\frac{1}{2}$ cents. 13.8 cents, if you buy a spruce sawlog 9 inches thick, and if you buy a spruce pulp stick 9 inches thick, you would be paying $9\frac{1}{2}$ cents for it.

HON. MR. NIXON: The Doyle rule is a very heavy —

A. I am talking about how much you pay for the logs, the cubic capacity of the log. The Government asks us to cut down. A 6-inch top will produce 18 board feet of lumber with the kind of a mill we have. It is not the most efficient mill, a circular saw. But it measures out about 18 board feet. It only scales board feet. Therefore, in the eyes of the Department there is a big over-run, and it is advisable for us to cut it. That is the only thing about it that is cheap, because your Industrial Standard Wages Act at the head of the lakes called last winter for cutting tie logs, that is, 8-inch top, 14 cents for cutting and 5 cents for skidding. That is 19 cents. The best we could do, was to get these 6-inch logs cut for 15 cents, on account of that scale.

If you pay 15 cents to cut and skid a log that only yields you 18 board feet, you are paying pretty near \$10.00 a thousand just to cut it and skid it. You have not got it out of the woods, you have not got started with it yet. Then when you do get it into the mill, you have a 2 by 4 and 2 pieces of 1 by 4 out of

that 6-inch log. The 1 by 4 has a centre heart, and about 90 percent of them will twist and bow, and some companies refuse to accept delivery of them.

MR. DREW: What did you say about 90 percent of them?

A. About 90 percent of them will bow, they will twist and corkscrew, and they are awfully hard to hold straight in the pile. Some of the lumber companies will not take a spruce 2 by 4 with a centre heart. Your 1 by 4 is more or less of a drug on the market. You get so many 1 by 4's in an operation where you are cutting fairly small logs, that they are hard to dispose of. So, when you put it on to the carriage, a 6-inch log, you are spending all your time putting it on and taking it off. Your sawing costs are higher. Then you get such a large percentage of 1 by 4's, which cost three times as much to dress as a 1 by 12, because it doesn't go through the planer any faster. It is only 4 inches wide going through there, while a 1 by 12 will go as fast, and a 1 by 8 would cost half as much.

I quite appreciate the fact that the Department wants to see the timber utilized. And where you are down near the lake shore, where transportation costs are less, you might be able to use them or you might put them into pulpwood and have a closer utilization of the logs. But you cannot go back in the upper country and handle these six and seven-inch logs. Eight inches is as low as we can go economically.

On the other hand, I know there are large areas in the interior of the country where the timber is mature and where it is predominantly sawlog. That not only exists all over the interior but it exists in some of the big pulp concessions where there are ridges of timber containing a stand that is more nearly mature, or there is a larger percentage of it mature and over-mature, and where the species are probably quite a mixture, where the spruce and balsam might be a smaller factor than the pine. I think those ridges in those areas that are predominantly sawlog timber should be harvested. I do not believe that the pulp companies, the paper companies, will go to those parts of their area where the timber contains a large percentage of species that they do not want in order to ferret out the small percentage that they do want. I think that the small operator, providing that he will work in co-operation with the paper companies—I quite agree with the paper companies, pulp companies, that there should be close co-operation in these operations, otherwise there will be a lot of friction. But I do not think that the timber that is mature should be allowed to rot and go to waste whether it is inside of a concession or not, if there is somebody that is willing to take it up and willing to co-operate with the paper company and to pay their share of whatever facilities they are using.

MR. SPENCE: Are you operating at a loss

A. Yes. We have operated at a very serious loss, this last year, particularly, and we are at the crossroads. We are waiting for a miracle.

MR. COOPER: What is your investment, Mr. DeWolfe?

A. In timber and plant and equipment we have somewhere around \$700,000.00. Our timber holdings are scattered, so they are not in a very convenient or

economical position to operate. For instance, it is like a farmer who has his farm divided into three pieces scattered out. To go to Timmins it takes me two days and a night. If I go around by North Bay it is pretty nearly a thousand miles. I do not know the history of the acquisition of their timber entirely, or how they come to choose this. They are a group of lumber men who, if they were going to operate there, would certainly not have chosen blocks of timber that were scattered out that way, because they are mature men of experience.

Q. If you do not get some relief, do you mean to say you cannot carry on?

A. Absolutely.

HON. MR. NIXON: Is there not a distinct improvement in the market?

A. Not in the low grade lumbers, no. It averages about \$2.00 a thousand. We are hoping that there will be a much stronger improvement, but we do not know.

MR. DREW: What are the factors, Mr. DeWolfe, that have created this adverse situation?

A. One thing is our costs. Our labour costs have gone up enormously since we started in. In 1935 we could get ties hewn for 10 cents. Now it costs us 14 to 19 cents. We could hire horses for \$26.00 a month. Now it costs \$35.00 a month per team. I have a comparison of the increases in our commodities, labour and our horse hire, also the increase in lumber. As a matter of fact, there has been no increase in lumber since we started in because while the general price structure might have raised, our prices were better in 1935 and 1936 than they are to-day because we had a local mining market and a short haul.

MR. ELLIOTT: You have increased labour costs?

A. Increased labour costs.

Q. Is the transportation cost increased because your areas are not accessible now and you have to go to remoter fields?

A. No; our logging costs are probably a little more than they were.

Q. Having cut your accessible areas you are looking for a new area?

A. As a matter of fact, we are only in there on the sufferance of the Pulpwood Supply Company. We do not know just where we stand. Furthermore, we have so much money tied up in timber in two places that the principals feel that if it could be consolidated and located in a more advantageous position they would be willing and glad to put in a much larger investment, a more modern plant and provide for a much larger turnover.

Q. In the same territory?

A. The same crowd.

Q. In the same territory, the same concession?

A. No.

Q. You haven't answered my question, you know: Have you cut your accessible areas?

A. Personally I wouldn't want to operate in the interior of the province under present freight rates and conditions.

MR. DREW: Q. Have freight rates gone up since you went in there?

A. No, they have not, but they have not gone down. Here is what happened: When we went in there we went in just to get out ties, we were going to hew ties. I wasn't in there at the time but my predecessor got his camps in and then he got word that his ties would have to be sawn, so he put in a sawmill to cut ties. Then later on it was found there was a lot of spruce intermixed with the pine and it would be advisable to cut that, so I took over the mill at that time and revamped it a certain amount to cut ties and lumber. There was a local mining market I was in, lumber prices were good on the whole and they would take any kind of lumber. That dried up and we found ourselves having to go out into a distant market. Then is when you encounter the freight rates and the high selling cost. It costs eight percent to sell lumber plus two percent discount after deducting the freight, all wholesalers charge that, and everybody that has tried to sell their lumber themselves generally get sick of it in a little while because they get so many bad accounts and their costs were just as high.

Q. Then, Mr. DeWolfe, you have had increased embargoes and you have lost one market you had when you went in there; will you tell us, did you cut your good timber in the more accessible areas so that your cost is not going to be greatly increased or are you going to cut an inferior grade of timber?

A. Our costs will not increase, they will decrease as we go in there.

Q. You are cutting good timber in accessible limits?

A. Yes.

Q. You have exhausted the one limit?

A. For the present market.

Q. You are after new limits?

A. We would like to have limits which would support a decent sized operation. I mean to say that I don't believe anybody could go in the interior of the country and produce a small turnover of lumber and live, because your overhead costs are bound to be too high. As Mr. Clarkson said this morning, one of the principal factors in cost is the rate of production. Well, a lumber company is in more or less the same boat, you have got to have all the facilities for logging, for sawing, for drying and fire protection and for dressing, and it has got to be done right up to the standard that the trade wants. While we are

going into that, if your turnover is not big enough, your overhead is going to be too heavy, and with a company like ours that has \$600,000 tied up in timber and has started out, we can't have an operating unit for each one, whereas, if it was consolidated we could go ahead on a larger scale.

MR. DREW: Q. When you say you have \$600,000 tied up in timber, just what do you mean by that? Do you mean you have paid that for it?

A. That we paid out that money for it, yes, with purchase of patented lots, and the licenses we purchased from a lumber company are being paid, I understand.

MR. OLIVER: Q. Is your equipment included in that?

A. No; we have got \$150,000.

Q. Besides?

A. Well, we had about that—there is about \$700,000 altogether—about \$150,000.

MR. COOPER: Q. How long ago is it since you purchased those licenses?

A. Back I think, in 1927. There is probably \$50,000 of interest charged up against them as long as they were non-operative.

MR. DREW: Q. The thing I am not quite clear on, and it is very interesting, because it involves the general principle applicable to this branch of the industry, you—and I don't mean you personally, but your company—bought these areas, patented lands, from other timber and lumber companies and so on; at that time it was bought with a perfectly open knowledge of the general conditions——

A. Yes, at that time.

Q. I just want to finish my question:

Then it would seem that the factors that you must be concerned with are your labour costs or operating costs,—I mean your mill costs and so on, apart from labour, when I say “operating”—transportation and price from the purchaser. Just take those in the reverse order: How does the price paid by the purchaser compare to what it did at the time that you started this?

A. Paid by the purchaser—by ourselves—the price that we paid for it before?

Q. No, your sale to others?

A. Well, at the time we purchased the Veteran lots for instance, that was the only timber we had under Veteran patented freehold, was the only timber that was export timber, and back in 1927 and 1928 there were very good prices for that sort of thing.

Q. You have explained about operating in ties and lumber?

A. The reason we went into operating ties and lumber was because they had been holding this stuff a long while, and they thought by holding it a tie operation of some kind might be handled and we might be able to at least carry the overhead, carry the carrying charges to take care of it, because the boys have been digging up for years since 1927 it cost money for ground rental and taxes and bond premiums and so on, they were getting tired of it. Conditions changed, the gold boom looked like, well we might be able to operate there and hang on until such time as we could operate our pulpwood limits. The situation at Hearst, for instance, likewise, I don't know how they came to buy those, that was long before my time.

Q. Well, to get back to this, are you getting less for the ties and lumber that you sell now than at the time you started in there?

A. Oh! The price for ties for instance, we received sixty-seven cents for a number 1 tie, sixty-two cents for a number 1 flat; that is the number 1 square tie was sixty-seven cents, we got five cents more for that. To-day they pay seventy cents for the square and flat, there is no difference in the price.

Q. Well then, you are paid more for both of them, paid three cents more for one and eight cents more for the other. Then transportation: Is the transportation cost any higher than when you went in?

A. The transportation costs on the railroad are not any higher, no.

Q. And your operating mill cost would not be any higher?

A. Oh, yes.

Q. I mean apart from labour?

A. No, not apart from labour. Nor the difference in the supply of wood probably wouldn't be an awful lot.

Q. Then we come back that the only thing that is higher is labour as between now and when you went in there?

A. That is one of our principal costs.

Q. I am not questioning your proposition, I am only trying to clarify it. It seems to me I have gone over the four factors which must enter into your costs?

A. The transportation was not any higher, as I say, but when we started operating there we had a local market and our net transportation costs were lower. I was thinking of rates when you asked if transportation costs were higher. Therefore, our transportation costs are much higher now, because we used to ship into Geraldton for \$2.50 per thousand. Last year all our lumber went out into a distant market and averaged pretty near \$7.00 a thousand.

MR. COOPER: Q. Your big trouble is you lost your local market?

A. We lost our local market.

MR. SPENCE: Q. You never operated in Hearst area nor the Veteran lots?

A. No.'

Q. How did you come to get this area?

A. Which is that, the Hearst?

Q. Where your mill is now, not the Hearst area, the Nakina, you moved there off your area that you owned? Did you move or just suspend operations?

A. No, we didn't move; we never had operated on these; I don't know just how we did get into the Nakina area, except that the Great Lakes Paper Company has quite a substantial interest in the Pigeon Timber Company and the Pigeon Timber Company has some interest in our Company, and when the Great Lakes Paper Company, we leased their limit, they suggested that we might be able to acquire a concession up there and arrangements were made; we went in there on the more or less permission of the Great Lakes Paper, and the Government too, at that time; we went in under an Order-in-Council, and we operated there for two years. Then the area was allocated to the Pulpwood Supply and we operate under their concession.

MR. ELLIOTT: Gentleman, we usually adjourn at 4.30; it is five o'clock now. I think we understand Mr. DeWolfe's problems.

WITNESS: I don't think there is any more I can say.

There is just one point I noticed this morning about going into concessions to cut lumber, Mr. Clarkson's point there of having paid the ground rent and fire protection for all these years, that he figured that anyone who went in there they should pay up all that back ground rent. I understand that the ground rent on some of these concessions was \$3.20 until recent years and then it got up to \$6.40 whereas a licensee pays \$11.40, and always has.

MR. ELLIOTT: Of course they pay \$11.40 to the Government for the fire dues and ground rent, the licensee?

A. The concession.

Q. Oh, they don't pay the fire protection?

A. No. That was just the point.

MR. ELLIOTT: Well, thank you, Mr. DeWolfe.

So far as I know there are no witnesses to-morrow from the industry and Mr. R. O. Sweezy has indicated that he will give evidence on Monday.

Mr. Arthur White is on to-morrow.

Well, we will adjourn till 10.30 to-morrow morning.

At 5 p.m. the Committee adjourned until Friday, April 26th, 1940, at 10.30 a.m.

TWENTY-FIFTH SITTING

Parliament Buildings,
Friday, April 26th, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

MR. ARTHUR F. WHITE, Called:

THE CHAIRMAN: Mr. White, what is your full name?

A. Arthur Frank White.

Q. And with what firm are you associated?

A. The Brompton Pulp & Paper Company, the St. Lawrence Paper Mills Limited,—the St. Lawrence Corporation, as it is called,—the Lake St. John part, and the American Company called the Claremont Paper Co., of Vermont.

The three mills in Canada have an annual productive capacity of about 350,000 tons. The three companies which comprise the St. Lawrence Corporation are the Brompton Company, the St. John and the Lake St. John; they have their paper mills at Dalhousie and East Angus, Quebec and Bromptonville, Quebec; and the Lake St. John Power and Paper at Dolbeau.

MR. DREW: Are all these companies operating under the prorating arrangement which exists between the two governments?

A. Yes, sir.

Q. I do not think you have actually had the opportunity of following any of the evidence which has been given here?

A. No, I have heard none of it, sir.

Q. We heard evidence, the day before yesterday, from Mr. Vining, who acts, I understand, as the key-man in that committee which has been working

on the details of proration under the two governments; and, following that evidence, it seemed desirable to have evidence from the various companies operating under that arrangement and to obtain any suggestions which could be given. Now, might I ask you that you would give your own explanations upon the desirability and the effectiveness of the proration agreement on these companies?

A. I have been closely in touch with the industry since its difficulties became evident in 1928, and actively engaged with the management since 1933, and in that period I have seen us run the whole gamut from rugged individualism to, I should think, almost unanimous acceptance of the principle of a reasonable, fair distribution of the available business.

I think I can say, from my own experience, that I am entirely in favour of the principle of what we call prorating.

Now, in what direction would you like me to try to amplify this? I can get along much better if you will ask me questions, because I have nothing prepared.

Q. In the evidence which was given the day before yesterday by Mr. Vining, he explained the history of the crisis that developed in the industry, which led to the proration arrangements under the pressure of the two governments, by the Acts which were passed, and he indicated that there were various problems connected with that prorating which would require to be solved at the present time, if it is to work out satisfactorily. I do not think there is any occasion to actually repeat the history of it?

A. No.

Q. It would appear that his contact with the history in the organization would be sufficient in itself; but one of the points which he raised in connection with the history end of the development of this prorating arrangement was that there was a short position, so far as the supply of pulp was concerned, in the case of one or two companies, particularly of the Abitibi, and that there was a long position in connection with one or two of the others,—using the words “long” and “short” not in the brokerage sense,—in connection with the supply of newsprint. Then he explained that there were two large companies which were exempt from the prorating agreements, because those companies were owned and operated by two large newspapers in the United States; and he explained that it was the opinion of at least some of those connected with the industry, that the exemption of any mills raised problems in connection with prorating which might lead to a break-down of proration. Would you give us your view upon that?

A. I think all the companies for some time have been searching for co-operation in some measure. My own private view is that that condition of affairs has been aggravated over the past five or ten years by international conditions, exchange problems and quotations, and all those things which were unknown to us five or ten years ago. And in the opportunity that I have had, at very close range, in connection with quite a large number of companies, I think I am safe in saying that almost all those units have endeavoured, with some measure of success, to have co-operation with the object of stabilizing the business.

Co-operation is a reasonably fair way in connection with the business; and it would be a fine thing for me if I could run my mills full blast and have my competitors keep up the price.

In connection with some of the efforts that I know about, which all depend upon the willingness of all the members to co-operate, I think that they all accept the principle; but I think in one or two cases they feel it is a good principle for everybody but themselves.

Now, in the twelve years that I have been observing this industry, they have made several attempts to stabilize the situation; and I think that in the last two or three years we have reason to feel fairly proud of what has been accomplished. It is a process of rather slow development,—something which you cannot bring about overnight. I think the majority of the firms have worked together pretty well, in seeing that all the firms get a reasonable share of the business. There are always defects in all these measures.

I think the whole thing is discussed in Mr. Vining's brief, so that there is no reason for me to go over it again.

There are one or two companies that are out of line. Of course, the inevitable effect of that, if it goes on long enough, is that the whole structure crumbles, and in the end of it the whole thing breaks down.

In connection with the exemption of mills, I realize that there are many considerations, but if you strip it of all the considerations but those which affect me, I would tell you how I feel about it.

I have a very keen sense of my responsibility toward the people who have put up over forty-three millions of dollars cash for the three properties which I represent. Most of the money was put up a long time ago,—long before there was any thought of prorationing or of the Acts which are now in existence. I feel, from the shareholders' standpoint, and that is the only one I want to stress now, that their money is as good as that of anybody else, and if because of the existence of a condition the two governments introduced legislation, it seems to me that it should apply to all of us equally.

I would content myself with stressing that angle of it, because I think it is the only angle which I ought to introduce. The more we can even up the tonnage, the better the situation would be for everyone involved.

If I might interject one other thing. Trying to hold this thing together, from the proportion of the amount of tonnage, involves a tremendous amount of time; and if we could get it tightened up, so that each executive feels he is reasonably secure in the volume of the business, he could direct his attention to other angles of the business.

I think the whole thing works reasonably well, and that it only needs a little tightening up, and then we could move on in this industry in a way which, I think, would be for the benefit of everyone concerned.

The thing which appeals to me as the first step to be taken, once we have

tightened up this end of it, is the co-ordination along some lines, probably the formation of an Export Sales Company for the furthering of export sales from the mills having such trade. We have sold, I think, our fair share, perhaps, in the foreign markets, which is a highly competitive market and the one which first receives the lowest prices available in a world situation; nevertheless, it is highly important to us, as an industry, to take the fullest advantage of it, and with a general agreement amongst those of us who are in the export end of it, we would do a good deal better if we could co-ordinate our efforts. The thing is that to-day an opportunity occurs overnight in connection with the Argentine and Chili, and by the time the executives have heard about it and have talked it over, the opportunity may have disappeared.

We feel we should form an organization, headed by a very able man who specializes on this, because it is a highly specialized end of the business, and turn the whole thing over to this special unit or group or individual. There are so many items entering into it, freight rates, tariffs, changing almost overnight. I myself urge very strongly getting along with a thing of that kind, because I think that in the long run it should substantially increase our tonnage position.

You understand that in the American market, they run from 3,400,000 to 3,700,000 tons,—a very narrow range. They make about 1,000,000 tons of their own, and they have been buying up to 300,000 tons from Scandinavia. And that has more or less limited the situation there. But when we get into world wide opportunities—

MR. COOPER: Q. Are you suggesting a sales branch for the whole industry?

A. No, that is too much to take in. We have made an advance in that direction now. Five companies control about two and a half million tons. After all, there are only about 15 or 20, at best, of separate institutions.

My own view in connection with a sales organization is that we should go very slowly in that direction; but I am addressing myself in connection with the eastern mills, of which there are only four or five who do an export trade and, we think, should specialize on sales for export overseas.

MR. DREW: Q. When you say that, you refer to what?

A. The tidewater mills in Canada.

Q. What companies are there?

A. Mersey, Bathurst, which has a very small tonnage, International, Price Brothers, St. Lawrence.

Q. Where are they located, the Mersey, first?

A. Liverpool, Nova Scotia; the Bathurst is at Bathurst, New Brunswick; they have a capacity of about 25,000 tons; then the International has a mill at Bathurst, New Brunswick, and they have one at Three Rivers. The St. Lawrence is at Three Rivers. Both the Price mills are on the Saguenay.

Q. So that when you refer to co-ordinating sales organization for overseas sales, you are only referring to those five companies?

A. Yes, but it would be for the benefit of the whole industry. If we were still prorating, then the more we can get for export, of course it increases the whole tonnage for the group.

HON. MR. NIXON: Q. Have you any idea how those mills in Nova Scotia and New Brunswick are co-operating?

A. The Mersey has always refused to prorate, although they have been willing to make some adjustments which were in the direction of prorating. They have a power arrangement,—I am talking now of things of which I have not first-hand knowledge,—but they have a power arrangement with the Province of Nova Scotia. It is a very important industry in a province which has very few industries, and I think there has been a lot of pressure brought to bear upon them not to enter into this proration arrangement. But they have made some efforts.

Q. They run 100 percent?

A. They run a hundred percent. And the New Brunswick ones are willing to co-operate.

MR. ELLIOTT: Q. Do you think it would be necessary to have the consent of the mills in Nova Scotia and New Brunswick to have prorationing?

A. I have been brought up in a school which believes in going slowly. My own view is that we should have this situation straightened out first. If we are going along, to bring in all mills, one mill in Nova Scotia, and two in New Brunswick with whom we work along very well.

It seems to me that the main problem is to clear up the situation in those two provinces. We have the legislation, and we have the willingness of everybody. I think that the whole matter would be a little tightening up. Just how you would improve upon the tightening up of the matter is beyond my power to suggest.

MR. COOPER: Q. We have been told that the tightening up would only increase the proportion that the orders get, the five.

A. If we ran 58 percent last year, we would have run about 63 percent. It does not sound like very much; I am not sure that the psychological side does not loom as large as any other part of it. In newsprint, the investment is so heavy for the turnover. In our own case, our investment is about ten times as great as our turnover,—we turn over our investment only once in ten years.

When you have a contract with power companies by which you pay for the power whether you use it or not,—our mill pays about \$2,100,000.00 a year. If we operate at, say, 50 percent, we are having a very hard time of it, maybe just getting by and that is all, with nothing for depreciation. But you would be astounded at the improvement as we go up past 55 percent. To you gentle-

men sitting here 5 percent does not sound very much; but from an operating standpoint it is a tremendous improvement.

MR. DREW: Q. On that point about the \$40,000,000.00, I think there is an important angle which sometimes is not understood. As I understand it, in the case of the three companies which you direct, that \$40,000,000.00 refers to and represents an actual cash outlay entirely?

A. Yes.

Q. That does not represent any expansion of stock?

A. No.

Q. Can you tell me whether that is Canadian capital or foreign capital?

A. At least 90 percent of it is Canadian capital.

Q. As high as that?

A. Yes.

Q. Would that represent a large distribution of investment, or would it represent a small number of investors?

A. I think we have from five to ten thousand shareholders,—a wide distribution.

HON. MR. NIXON: No particular newspaper has an interest?

A. No, there is no proprietary interest on the part of anybody.

MR. DREW: Q. I ask that for a very definite reason, Mr. White, because after all in the discussion which has been taking place some emphasis has been laid on the social aspect of the problem, in regard to the stability of operation in these mill towns, where, in many cases, continuity of operation is the only difference between disorganization and security.

A. Yes, sir.

Q. And there is another aspect of the social problem, and that is the effect upon a wide spread group of investors in a community, there is something about this industry which, I think, would be well to have cleared up on the record. From the figures which you have given me now, the 90 percent, approximately, of this capital is Canadian, and the other is a very wide spread distribution of shareholders, from five to ten thousand, possibly, it would appear that there is also the social problem of the investment by a large number of small shareholders in a Canadian industry involved in any solution of this problem. Would you say that, outside of the mills owned outright by the newspapers in the United States, that that in any way is representative of the general situation of the industry in Canada?

A. I do not quite follow you, Colonel.

Q. There are, of course, at least two mills that are owned outright by newspapers, the mill owned by the Chicago Tribune, and the mill owned by the New York Times. Outside of those, it is largely Canadian capital that is invested in the other mills?

A. It will take me but a moment to run over that with you. The Abitibi group, I think everyone is familiar with that situation. There is a substantial portion of the bonds of that company held in United States, but I would hesitate to venture a guess as to how much is held here. But after all, the securities were originally sold in both markets. I think I would be safe in saying that at least a majority of the securities of the Abitibi are held in Canada.

Now, the Anglo-Canadian is almost entirely English, which is held by the large English newspaper groups, the Rothermere groups.

The Bathurst is Canadian.

The Thorold is owned by certain companies in New York.

Booth is Canadian.

Brompton is Canadian.

When you come to the Canadian International Paper group I should think the majority of their bonds—there are at least \$25,000,000.00 held in Canada.

The Consolidated, there is probably a majority of those securities held here, although there would be important holdings held here and in United States.

Donnacona is privately held.

Eddy's, the same.

Lake St. John, McLaren, Mersey, the same. The Minnesota and Ontario, I would not like to say.

Pacific and Powell River: Pacific is American owned; Powell River is Canadian owned, although there are some Minnesota family interests in that.

Price Brothers is owned here, although some of it is owned in England.

St. Lawrence I have mentioned.

Spruce Falls, you know.

From that, I would think it would be safe in saying that by far the majority of the security holdings are held in this country.

Q. In that respect, Mr. White, the present situation, so far as the security holders are concerned in the industry as a whole, can hardly be regarded as satisfactory, can it?

A. Oh, far from it.

Q. And, looking to the future, I would assume that one of the very important things is to restore public confidence in investments in this industry, to a very considerable extent, is that not so?

A. That is my opinion.

Q. The reason I raise that point is because, after all, unless we have reached the peak of our development, we are going to need further capital in this industry?

A. Yes.

Q. And at the moment I think there are some things which might be done to restore public confidence in this type of investment?

A. Yes.

Q. I am not asking you to express any critical opinion upon legislation which this Committee should recommend. Would you care to express any opinion as to any Act, such as the Forest Resources Regulation Act, upon the mind of the investor? Am I clear?

A. Yes. I cannot feel that it would be otherwise than constructive. Bear in mind the great basic trouble of this industry, we all know is the tremendous addition to plant and equipment which took place from the years 1925 to 1930 inclusive and while all sorts of people,—and may I say bankers principally have been blamed for it—if you will study the groups which contributed to that, there must have been twenty of them scattered almost all over the globe. There were the English newspaper groups; there were Pacific Coast groups; and American groups; groups which had been in the paper business and groups which had not been in the paper business and we went up in 1930 with this tremendous over-capacity from which the industry has never recovered.

Now it seems to me the large first problem is to try to meet that as best we can—and slowly we are overtaking our troubles—and I still look upon the reasonably fair distribution of tonnage or the actual distribution of tonnage, if you want to put it that way, as the biggest single factor towards improving the situation. The most important one—the feeling I outlined a few minutes ago—is very heavy fixed and operating charges which we have to meet principally due to our power and the very unusual nature of our raw materials which means that we are planning to-day for wood which we will use almost two years from now. To every operator the very life blood of his institution is tonnage and there is no such thing as being able to say, “the next two or three months look like poor months; we will turn the key in the door, close up and start up again three months from now.” Power tolls are going on and the labour situation is disrupted so that every man’s struggles are to get tonnage for his mill.

We have all reached the point where we realize fully that we cannot hope to have 90 percent if the industry can only evenly distribute 60 percent. We realize we are all better off to run at that 60 percent. For one man to improve his position at the expense of the other will inevitably result in the decline of prices and you will get right back to where we were in 1932. I give that as my considered opinion after having seen these things attempted in one way and another and after watching the struggles of this industry since 1928.

Q. Another point which has been discussed here by different individuals has been the desirability of taking the whole problem out of the sphere of politics. When I say that, now, do not misunderstand me.

A. I understand.

Q. In so far as this Committee is concerned we are seeking to find some constructive solution of this problem and no matter what our particular political persuasion may be, we recognize that there are conflicting interests involved and a certain law of continuity which suggests possibly the wisdom of setting up a non-political board or commission or committee—call it what you like. That suggestion has been made by Mr. Vining and by Mr. Clarkson yesterday. Do you concur in that suggestion?

A. I am really not equipped to venture an opinion on that. The legislation is there; it is clear enough. The great majority of the companies are receiving the spirit of it. When it comes to the question of how you would enforce it I must confess I am at a loss to make any suggestion.

There are possibly some legal ramifications, although I cannot see the possibility of anyone questioning the power of a sovereign body to enforce its will unless you get down to the *ultra vires* question and you are much more familiar with that end of it than I. That seems to be the only way in which the will of the province might be questioned in the least way to the least degree. It may be that it is distasteful for a government or one of its departments to have to choose some degree of penalization and to that extent it may be desirable to have it in the hands of some independent body.

I have not given this any thought at all, but it seems to me you are getting just a bit far away in transferring or vesting a small independent body with very wide powers along the line of punishment or fines or whatever you like, but it may be that it is a better way in which to do it.

I would not attempt to venture an opinion on the actual procedure. Here you are asking me a broad question as to if it is better in one department or another—one department non-political and another so-called political—to me there should be no difference.

Q. The reason I raised the question was that Mr. Vining as president of the Newsprint Association of Canada had suggested something of that kind and Mr. Clarkson who has had occasion to be very actively connected with the industry made a similar suggestion yesterday. It occurred to me that possibly within the industry as a whole there had been some discussion which led you to some conclusion on it?

A. No. Mr. Vining mentioned that briefly. As I understand it he has been acting in a capacity here somewhat apart from his position as president of the Newsprint Association. He made it quite clear that he appeared as a member of the committee which had been studying some phases of this question. Outside of a very brief discussion which he had with me a few days ago—when I learned for the first time that you had invited me to be here—and I had said nothing to him about it and really had not had an opportunity to give it much

thought, but my experience has been that on two or three occasions we have been compelled to appear before the Prime Minister of the Province of Quebec and he had asked us one by one if we adopted the use of the principle of prorating would we adhere to it. We said, yes, we would and he told us if we did not there would be dire consequences. It seems, when it comes to the question of dire consequences, they do not always function in their direst form.

Q. When you say that you have not come to a conclusion possibly there is no occasion to press it further, but I only have in mind that there of course have been other attempts at prorating in other industries operating possibly under somewhat similar conditions and it would appear to me that perhaps out of that experience some general conclusions might have been drawn. I have in mind particularly the prorating of oil in the United States where the system they follow is to place the ultimate control in the hands of an interstate commission. Power is conferred on that commission to enforce its regulations by state enactment which gives full power to the commission to impose terms and penalties. Would you care to express any opinion as to the desirability of attempting to adopt some such system here?

A. I think I may say that I would certainly not view with disfavour a small so-called non-political body. There would not be very much to it, as I view its duties. The duty is largely one of administration. Reports are available each month as to where each company stands. There should always be some little flexibility because of overseas shipments, storage and boats. We all come out every quarter at about the same level and it has boiled itself right down to a question of method of enforcement. To me the question of enforcement is of much more interest than who does it.

Q. That, of course, is a matter of working out practical details. One of the advantages argued in favour of some such independent body is its continuity and while the present Minister might feel that there is any danger in lack of continuity in the administration, others might not think that is so serious?

A. Well, Colonel, I think that is important, because composed of the right men and after viewing the application of these efforts and the results over a period—true, governments do change—it seems to me that the opinions and advice of these men would become increasingly useful. That is an angle which had not occurred to me before. I suppose from time to time the whole broad question would be reviewed. Something which may be a useful and proper thing to-day may not be nearly as useful and proper ten years from now and you have a continuing body in full touch with the whole situation which could report very usefully on that very question.

Q. Yesterday, Mr. White, we had evidence which perhaps was the most vigorous expression of opinion on that subject—although we have heard it from others. Mr. Schanche, who is the forester of Abitibi, is the person of whom I speak—in what struck me as an extremely clear analysis of the situation. He said that in his opinion from the practical point of view perhaps the most vital thing of importance for the future is research in this industry. What would you say to that statement?

A. Research?

Q. Research?

A. You mean forest reserves?

Q. No, research.

A. Oh, I agree.

Q. He pointed out that at the present time there is really relatively little effort to attempt continuing research into the possibilities of expansion of the use of forest products and also research into sales methods and other problems which would not only increase the use of wood but would increase the distribution. Would you agree with that statement?

A. I would. I think a very great future in that respect has been ignored. Not ignored altogether, mind you, but ignored from the point of view of the extent I would like to have seen it reach, largely by reason of the fact that most of these companies have been very hard up for the last seven or eight years, and when one is driven pretty hard to even meet payroll cheques, you do not feel like embarking on a very ambitious research expedition. But, it is highly important.

In one of our own cases, the Brompton Company makes various grades of paper in addition to newsprint, and research forms a very increasing part of that. Our firm depends on improvement and new use of paper and we are going to have quite a problem to meet the menace of southern pine, which is actually at the moment a research and chemists' problem, but once met, and once all those difficulties are met from the chemical standpoint, then it seems to me we are going to be very busy meeting our end of it.

It has been stated here, for instance, that it is altogether likely that through some methods discovered by research, jack pine could be incorporated in the production of newsprint and that by doing that through a more intensive utilization of all standing timber, the cost could be reduced.

A. In the Brompton Company we are using wood to-day which ten years ago we would never have attempted to use.

Q. That being the case it would seem that the threat which undoubtedly exists in the southern pine experiment can best be met by some extensive research in this country in order to find greater use and possible different uses of our present timber resources. Is that not correct?

A. Yes, quite.

Q. Would you care to express an opinion as to whether that could best be done by individual companies conducting research or by some co-ordinated effort on behalf of all the industries?

A. I do not think I am qualified to answer that usefully. It is attempted in a fairly ambitious way now, you know. The Pulp and Paper Association has quite a research building on the McGill grounds in Montreal.

HON. MR. NIXON: Q. Assisted by the Federal Government?

A. I am not sure as to governmental assistance, but I know we all have securities in it and we are all assessed so much for its upkeep and so on. I am rather inclined to individual effort because their necessity is broader, supplemented by governmental research along more general lines.

You must appreciate that each one of us is approaching the problem from some particular angle and I think the combination of all those results would be useful, whereas with a general body, it seems to me their efforts are more devious. If we can conduct our own research, I do not think there is any question about it, we will all be conducting our research much more vigorously than we have in the past, if we have some central—as we have now—body to appeal to for co-operation. That would work out very well.

Q. To which central body do you refer?

A. We have one now. I am not actually connected with the operating end of the matter in order to know whether the combination is satisfactory, but nevertheless they have a lot of equipment and quite a large building in Montreal.

Q. The information we have is that it is not in a position to operate to capacity at the moment?

A. That may be.

MR. DREW: Q. There is another subject which has received a great deal of attention here on which you might care to express opinion, possibly, and help us. I refer to the subject of export of pulp logs and the effect of that export on the Canadian industry?

A. Colonel, from the narrow viewpoint of the newsprint manufacturer, I think the reply is obvious. Why sell our competitor our raw material. It seems to me, while I have not given it any thought, there are a great many considerations of which my opinion or the opinion of the newsprint manufacturer perhaps does not meet all the angles which are very important from the standpoint of public interest.

MR. ELLIOTT: Q. You do not use Ontario pulp?

A. No, not at all, and I know a bit about the export situation, because the inevitable happens. In the St. Francis River situation, for instance. In the bad years, when pulpwood is almost given away and we have great difficulty in using it, no one wants it, but as soon as it becomes very useful to us, then they come as far as from West Virginia to bid in the market for pulpwood. The answer is quite obvious, from my own standpoint as a manufacturer, but I do not profess to be equipped so as to be able to give you an opinion when you consider the question of the reserves, of the maturity of the timber and the settlers' problems. It seems to me all those things must be considered in this very broad question.

HON. MR. NIXON: Q. Have you any idea or any knowledge as to the amount of export actually in the Province of Quebec?

A. No, sir.

Q. Does your company export timber?

A. No.

MR. DREW: Q. Your company exports none at all?

A. Our company exports no pulpwood.

Q. There is one further point which we have discussed on which again you may or may not care to express an opinion. At the present moment there are six contracts authorizing the construction of pulp mills in Ontario. At least you have seen it discussed in the Press. Would you care to express an opinion as to the desirability of permitting these mills to be contracted?

A. I should say, sir, it would be highly undesirable. I do not know any angle of the forest industries—if you want to call it that—which has had a more disastrous record than the pulp—particularly sulphite pulp—over 25 years. I will give you two instances which I think illustrate what I have said. The Brompton Company has a small newsprint mill. It is small so far as the machines are concerned and it is located at Bromptonville. We buy sulphite from it.

In the ten years that I have been watching it, until the outbreak of war there was no time at which we were not buying sulphite at distress prices. We were quite an important buyer and therefore we were in a position and were always in touch with the sulphite market. Many times we considered the advisability of opening up a small sulphite unit of our own but we always reached the conclusion that we were better off buying rather than making it. Do not misunderstand me there. We would have had a small use of it, but not large enough use in order to be economical. That does not mean that the large mills—like St. Lawrence—should not have their own sulphite units, but when it comes to mills making sulphite alone, their record has been disastrous. We are making in Brompton sulphate pulp. We control a high-grade converting mill in New Hampshire which was originally bought years ago to take up the then surplus sulphite pulp from Brompton and balance the Brompton operation. In the last eight or ten years we have sold no sulphate to New Hampshire for the simple reason that they could buy better sulphate cheaper than we could sell it to them; buy it from Scandinavia.

I will make one exception, that if as a result of very intelligent research some new use could be developed and you could demonstrate that you were building a mill to meet a new and widening market, there might be some justification for it, but otherwise I should think it would be a hopeless investment to build more pulp mills.

Q. Some of this discussion may seem to be fairly general, but I might explain I believe it is the uniform hope of all the members of this Committee to make some suggestion which will help in fixing a long-range policy in regard to this matter and for that reason having regard to your personal knowledge, both of the industry as a particular industry and also of the general financial situation in the country, have you any suggestions as to anything which should be done

to place this industry in a better position generally not only from the point of view of operation, which has been discussed very fully here, but also from a point of view of a greater sense of security in the mind of the prospective investor in this industry?

A. It sums up in one thing, sir, and that is the enforcement of what for lack of a better term we will call proration. I think it is essential that that be the first step. If I am correct in understanding what you are asking me—I do not want to presume to advance any opinions—you are asking me as an individual to give you my opinion for what it is worth and I would say that is your first step; go slowly, consolidate the position of these two provinces, particularly if it is entrusted to an independent board. Having accomplished that, see where we go from there and in the meantime encourage the manufacturers to concentrate on the export sales efforts.

Personally I would much rather see a limited programme of that type embarked upon as a start rather than an attempt at a very wide all-embracing programme, which would seem to me to be perhaps going too far in the first instance. The whole machinery is a delicate one and I think the approach is much better if we go at it slowly rather than to try some great omnibus measure which might be very difficult to enforce.

MR. ELLIOTT: Q. Do you think the paper industry could adjust itself to the immediate rigid enforcement of prorating?

A. Well, sir, we are within an ace of it now, with the single exception of the exempted exports. I have given you my view from the one angle; presumably there are many angles; but with that single exception, the rest of the defections are not great. They could easily be pulled into line. It is not as if there are three, four, six or eight mills out of twenty refusing to have anything to do with it at all. You have probably seen all the figures. The principle of the thing creates a fear of the situation. I do not think it is the actual tonnage figures at the moment, but if you introduce fear into the situation, you have every operator commencing to run for cover. He wants to get enough tonnage to ensure his position. He does not want to wake up some morning and find that a lot of his tonnage has disappeared overnight through improper practices and therefore he begins to run out and try to ensure his position. The first thing you know the whole structure begins to crumble. That is why these defections are important. It is the psychological side, actually, more than the physical. That is why I say we are there now, with just the slightest bit of tightening up.

MR. COOPER: Q. Do you not think it breaks down the sales initiative of the different companies?

A. We have canvassed that. I think in our own organization we have as active and energetic crowd as you could possibly find. Bear in mind this does not meet the American situation. We are competing every day of our lives in a three and one-half million-ton mill, one million tons selling to-day a dollar a ton under our price and before only the outbreak of the war we had nearly 300,000 tons coming in from Scandinavia where the every-day quotation was \$7 under anything the Canadians charged. That in itself means we cannot go too far. That is over one-third of their requirements coming in from those

two sources; their own mills and Scandinavia. So, we are busy every day of our lives making contacts. It may have the result in odd instances of slowing up people, but I can hardly imagine an executive saying to himself, "Well, we have prorating; I am going to dismiss my sales department."

MR. W. G. NIXON: Q. Mr. White, from your experience in the industry down through the years would you say that it has suffered in any way because of lack of administration on the part of governments or departments or over-administration, or was it rather due to internal difficulties in the industry itself?

A. I will put it this way, sir, we attempted in the early stages with practically no success and then later on with some degree of success to work out our own problems, and that, mark you, is the way we should do this, we shouldn't have to go running to the government for help, but this situation through defections here and there had created a state of affairs where the governments felt they had to take action because we were dealing with national resources and assets of the two provinces and the greatest single step that was made in the improvement of these industries was the enactment of these two Acts of legislation.

Q. These two Acts were inevitable apparently?

A. Yes.

Q. Inevitable that that should be done?

A. Yes.

Now since they have been enforced, and partly due to an improved appreciation of the whole situation by the executives themselves and perhaps also some changes in the personnel, there has been a vast improvement in the approach to the whole problem by the mills themselves. We have always felt that we had these two Acts behind us as insurance or as a back log, and what I understand we are discussing at the moment is some way of just tightening them up, and it needs very little as I view it; it is not a big problem at all.

HON. MR. HEENAN: Q. It is an aggravation?

A. No, but I mean I don't think the enforcement is a very big problem.

Q. It is more or less one or two mills getting away with something aggravates the rest?

A. Yes, and aggravation is a mean thing in any effort of life.

MR. DREW: Q. Mr. White, you spoke for instance of the amount that your companies pay for electric power. Have you yourself had occasion to deal with the power problem and purchase of power?

A. Oh, yes, quite actively.

Q. One of the arguments that has been made here on a number of occasions is that it would be of great assistance to the industry if any method could be

found which would result in any substantial reduction in the cost of power. I assume you would agree with that proposition?

A. Of course you cannot overlook the power companies themselves; they must finance; with them it is a marginal business, there is no trade in power except through the few companies which have a distribution system; most of them are what we call in the first instance wholesalers of power. They know the cost of the installation and they make long term contracts and the margin is very small. I notice that various power companies' profits run maybe three or four cents per share per year. Well, without a long term contract in the first place they could never have financed, and secondly they couldn't exist. What we would like is not to pay for power when we are not using it, but that is too much to hope for. The alternative to buying power on that basis is to build power plants ourselves and we couldn't reasonably hope to sell it because we have to get power contracts to take that power. I am not in a position to speak on the actual rates for power. In my own experience in Quebec we feel reasonably satisfied with the rates we pay for power and we have found the power companies very very co-operative in trying to help up over these lean periods, and they have given us much better contracts in connection with the amount we are obliged to take always, it is much smaller than it used to be and they charge us a little more for it when we have to take more power over certain periods. Power of course is a very big item in our cases; the biggest item is wood, the next is power and the next is labour.

HON. MR. NIXON: Q. You don't develop any of your own power?

A. No.

MR. DREW: Q. Have you any comparative figures as to the cost of power in Ontario and Quebec?

A. No, sir.

MR. DREW: I have no further questions.

HON. MR. HEENAN: Q. Mr. White, with respect to the possibility of building new mills in Canada, new pulp mills, not new newsprint mills?

A. Not new newsprint mills.

Q. If due to the increased consumption and demand for the various forest products other than newsprint, like sulphite, sulphate and so on, much of which has come from Scandinavian mills, and in which there is a new industry now commenced in the southern pine, if we in the country can manufacture what these people manufacture so that we can sell it at prices as low or below those companies' why should we sit still and say, "We will wait to see what they do in the United States, see what they do in the Scandinavian countries or somewhere else?" Why should we always be sitting waiting because they might do something down there or in some other part of the United States?

A. Well, sir, as I understand it the hesitation to date has not been waiting to see what they may do elsewhere; the hesitation to date has been our well demonstrated so far inability to meet these competitions.

Q. But if we could meet that competition you wouldn't still hesitate to build?

A. Oh, no. If you can meet any competition you go ahead, particularly this foreign competition, but I think that that "if" is such a big one.

Q. We generally get this situation I think, "Don't build here, because they are investing \$100,000,000 down in the United States in southern pine and you will never compete;" we get that kind of talk constantly?

A. Yes.

Q. I appreciate your viewpoint exactly, you have had your experience in the newsprint development and I agree with you that we shouldn't run into a similar situation in connection with any of our other forest products, but when there is such a large increasing demand for forest products I can't see why we should sit idly by and say, "Well, we wouldn't be able to compete with what they are doing down in the southern States or what they do in Scandinavia," so my point is I am right in line with you except this, I don't agree that we should sit by saying that we cannot do something. We have got the foresters, we have got the power, we have got the transportation of all kinds, we have got reasonable labour and why should we take that repeated attitude that we shouldn't build here because we can't meet the prices of some of the other companies?

A. Well, Mr. Heenan, you must after all face the facts, even in the newsprint business. Now the saving grace of the situation has been that both of those prices if limited so far, fortunately, to three hundred thousand tons a year or three hundred and twenty-five thousand tons a year—I am talking of the situation before the war—it is the same in pulp. If I may just read you one or two items from Newsprint Service Reports:

Q. Let me answer that and probably that will give you my viewpoint: If the newsprint mills should operate to greater capacities than they do at the present time, say if they were eighty or ninety percent, I think you will agree they could produce their product at a less cost and therefore sell it at a less price. If the proration was carried out in its entirety, nation wide as you say—the other provinces don't amount to very much in the aggregate, but say that it was nation wide, couldn't we afford by some agency to go out into the world and compete with anybody at their own game? What I mean to say is this, if the Scandinavian countries can get together and send someone over to the United States to say, "No matter what price the Canadians will quote for their newsprint we will beat it by \$7," why couldn't we have a similar organization going to their organization and saying, "If you are going to come over to the United States and undercut us we will undercut you?"

A. We have often canvassed that, sir. We are very badly handicapped here, there is no use denying, due to the fact that I don't think our conditions of work would result in costs that we could compete with the Scandinavians.

Q. If you can get together labour, capital, management, Government, power and the transportation companies? We can beat the world in my opinion?

A. Well, I must say I cannot subscribe to that. And bear in mind the

intense desire, if you want to put it, of the Scandinavian countries including Finland to get exchange will always make them a factor in the American market, for that reason alone, whereby they will sell at almost any price to get exchange and they will be compensated in some way or another by their governments because exchange to them is one of the very important things that they share, and exchange with them and America to service their debt and take care of their purchases is evidenced from a national standpoint.

Q. Let me put it in another way, taking the practical method: We have over a million tons idle capacity tonnage in Canada now. Supposing we made up our minds in a co-operative way to fight for our lives, our existence, and put that million tons to work, do you mean to tell me we couldn't get new markets under similar principles to those by which they obtain our markets in the United States?

A. I think you would have to lower your whole standard of living to do it.

HON. MR. NIXON: Q. Of course Scandinavia is going to be entirely out of the picture for the immediate future anyway?

A. It would seem so, sir. They are still shipping a bit. We have the figures for the first two months, but I think you are right.

Q. There is practically nothing coming now, is there, from Scandinavia?

A. A little dribble, that is all. Bear in mind there are some rather heavy accumulated stocks to come out if and when the bars are let down.

Q. We can look to the immediate future, unfortunate as the reason is, to help business in Canada?

A. Yes. I would like to point out this one thing—these are figures prepared by the United States Pulp Manufacturers Association dealing with sulphite pulp: The consumption in 1939 was five percent more than capacity—only five percent, in 1839—but fifty-two percent more than the actual production. In other words there are mills in existence in the United States to-day to take care of all but five percent of the sulphite requirements in 1939 but fifty-two percent of them didn't work because they couldn't meet Scandinavian prices, and the same situation exists in sulphate. The biggest single opportunity at the moment appears to be in unbleached sulphite which again is rather a God-send to the newsprint companies because we all have a little excess sulphite capacity even if we are not in the sulphite business.

MR. DREW: Q. I think that is a very important point you have made. If it is correct that the most important opportunity at the moment is in unbleached sulphite and the mills that we have in existence have some potential capacity in that respect then that should be understood in considering the possibility of developing new mills for the production of that particular product. Would you say that the mills now in existence can extend their production of that product very extensively?

A. The sales of unbleached sulphite: Europe supplied forty percent, Canada

eight percent, last year. Now bear in mind that the American mills can supply up to within five percent of the 1939 requirements in the States but they have been importing this very large percentage from abroad for two reasons, one, price, the other, quality. What will happen, if sulphite pulp becomes very high in price all these older mills in the States will start up again and it might be we will have a chance in Canada to supply considerably more of it than we did last year but I still claim we don't need to start off to-day building pulpmills in Canada to meet that situation. I might say, if you can by clever research find some new method and obtain a wider market it might be desirable.

Q. Do I understand your reason for that is that the mills already in existence can meet demands for the unbleached sulphite?

A. Yes, within a very small margin. Undoubtedly if the Scandinavian situation should tighten up completely and nothing leak through we would have some big lumps, but I think we would be very foolish to embark upon a great programme of expansion, and where you would get the money I don't know.

MR. W. G. NIXON: Q. It will undoubtedly be years before the Scandinavian mills come back to the point where their governments can subsidize their industries to the extent they have in the past?

A. Sir, that is almost idle speculation, what would happen after the war, but my guess would be in the scramble for existence the goods will go to the United States, it will be one of the few items of exchange really worth while, and almost anything in that nature can find itself provided for; I think we will have to discount the generally accepted experience in this case, we will be in an entirely new world and it will be a pretty desperate struggle I think.

Q. In recent years has there been any great improvement in the machinery for the processing of wood for pulp and paper and so on?

A. Bear in mind, sir, I am not what we call a paper-maker.

Q. I know, but from your knowledge?

A. From my knowledge. Of course it is the kind of business where you are refurbishing as you go along. Maintenance is a big item. One of the most successful mills I know of in our little group is a small mill we have got down in New Hampshire which has made money steadily for us and I think the paper machine is forty years old. It perhaps doesn't look a bit like the machines they started off with except for the great big framework. In answer to your question, there have certainly been no revolutionary changes and I wouldn't say that the mill erected to-day could make paper much more cheaply than one erected twenty years ago unless you placed it bang up against its wood supply in which case you have built it out in the wilderness and you have got to build a town and waterworks and all that sort of thing which probably offsets this other advantage.

Q. The thought I had in mind, if the mill erected to-day would have any decided advantage because of improved equipment?

A. No. That is a broad statement, there are some refinements, but not

in the way we would understand a lot of other operations. For instance in steel, their methods change so rapidly that a mill which is twenty-five years old and hasn't been touched is out of the running competitively.

MR. ELLIOTT: Q. Mr. White, how do the plant and equipment of the mills in Canada compare with the American and Scandinavian competitors?

A. Of course we know the American situation, but I can't answer as to the Scandinavian. I believe the processes are very much the same and the types of machines are very much the same.

HON. MR. NIXON: Q. And the operating mills have been kept fairly up to date?

A. Yes.

Q. In accord with the best practice?

A. Yes. You see the Finns have increased their productive capacity some 300,000 tons in the last few years, and in the ten years in which we were suffering most Great Britain increased its capacity by 300,000 tons.

MR. COOPER: Q. Mr. White, it is generally thought that a lot of our mills and machinery are obsolete in the sense that they are small machines which require the same amount of labour as the big machines require which would increase production?

A. You ask the average operator and he will tell you now that he would prefer six seventy-five ton machines against two very big ones. If there was a standard form of newsprint and size and weight and trim and all of these items that would be a great thing for it, and the big machines suffer from a lack of ability to run constantly over these small machines; the smaller ones we can change the type of run so much more easily; but I think you will find the average operator will tell you that in the type of business he has to-day where he is running sixty or sixty-five percent he would rather have a small machine mill than a big one. But I don't subscribe to this argument about so many obsolete mills in Canada. I know the mill situation pretty well and there is only one of them that is closed down completely, every one of them has run and apparently run successfully, certainly some of them were a little bit better than others, but an advantage here is offset by a disadvantage there and any one of them having a run of eighty or eighty-five percent can make money out of it. The backbone of the whole bundle of them is wood and the further they get from wood the more their trouble, but it is not a question of the efficiency of the mill itself.

Q. We were told I think that four of them were given zero ratings?

A. Well perhaps you mean Spanish River, Espanola.

Q. Yes?

A. In all these figures that I have been discussing this morning they are considered by all of us as non-existent, they are not in these tonnage figures

and not in the capacity figures, they are accepted by the operators as not likely to come back.

Q. They are still up there anyway, you can see the mill?

A. Yes.

MR. ELLIOTT: Q. Do you say that they are not likely to come back?

A. Well now, perhaps I am speaking out of turn but my general understanding is that the Abitibi Company have dismissed those as at all likely to and they certainly leave them out of all their tonnage calculations.

Q. Is there anything further you wish to submit, Mr. White?

A. No. sir.

MR. ELLIOTT: If there are no further questions we will call Mr. Zavitz. Thank you, Mr. White.

HON. MR. HEENAN: Thank you, Mr. White.

EDMUND JOHN ZAVITZ Called:

MR. ELLIOTT: Q. What is your position with the Department of Lands and Forests?

A. I am Provincial Forester.

Q. How long have you been with the Department?

A. I have been with the Department thirty-four years, thirty-five this spring.

Q. Were you all that time in the Forestry Branch?

A. I was seven years at the Agricultural College, came to the Parliament Buildings in 1912.

Q. Have you been all the time with the Forestry Branch of the Department?

A. Yes, I have.

Q. You have listened to the evidence, Mr. Zavitz, of the various witnesses in this inquiry?

A. Well, I have heard most of the evidence; there have been a few times when I wasn't here.

Q. Have you anything particularly that you wish to submit to the Committee?

A. Well, I have been principally interested and in charge of reforestation and I think that I can give some information on that line. Whether you want to ask questions, or—

Q. Have you any résumé of it?

A. Not in a brief. I think on the various phases I might make a general statement in regard to reforestation as we face it in Ontario and might say that there are two general problems: There is the problem of reforestation on the Crown lands of northern Ontario, the problem of regeneration and reforestation in that area, and the question of reforestation in southern Ontario in the settled counties; quite two distinct problems I think.

Reforestation in northern Ontario: At the present time the Department is simply carrying out some demonstration plantings and in my opinion that is about as far as we should go.

Q. That is in northern Ontario?

A. In northern Ontario; I am speaking now of the Crown lands of northern Ontario. We have carried on what we term demonstration or experimental plantations at a number of points. The general question of reforestation or regeneration on the Crown lands is rather a large question and we feel that it is rather a local question. I mean there are certain regions,—the regions vary in regard to types of timber and types of soils—and we feel that we should carry out considerable study and investigation as to what has happened in the past on cut-over lands and burnt-over lands and also the type of regeneration that we would have to give to artificial regeneration, the types that will be necessary before any larger programme should be entered into. That in a general way is the situation so far as northern Ontario is concerned.

Q. Can you tell us anything about the practice of private reforestation in northern Ontario by any of the timber operators or otherwise?

A. Well, there has been practically no effort by the individual operators. There was at one time the Abitibi carried on some small plantings and carried a small nursery but that was abandoned.

Q. Did the Abitibi do any extensive planting?

A. Not very extensive; they had a small nursery at Sault Ste. Marie, that was during the Spanish River regime, before the amalgamation, and I would say their output wouldn't be for two or three years more than a couple of hundred thousand trees; it was simply experimental.

MR. ELLIOTT: Do you think artificial reforestation is practicable in northern Ontario, say, in some of the areas in Algoma which have been more or less abandoned since the timber has been cut?

A. I think it is practicable.

The whole question is a problem of finance and necessity. As I say, a study

should be made as to the necessity, and as to where we stand in regard to the condition on cut-over land, to really learn what is happening so we can predict the future of those areas.

We have an area in the Soo district known as the Kirkwood Desert where we have already planted some 3,000 acres, an area in there of sand plains which adapts itself to planting; and I might say here that in any planting up to date, we have selected areas that we thought were well enough organized to ensure fire protection. I mean, we felt that that area could be well protected.

In speaking of these plantations that we have made in Northern Ontario, the main idea was not to ensure the future supply of timber, the main idea in these plantations was more demonstration and experiment.

Q. Educational, too?

A. Educational. And to show what could be produced, the rate of growth, and so forth on these areas.

Q. Do you supervise the conditions under which operators cut in northern Ontario?

A. No, I have no jurisdiction over timber operations.

Q. Do you think it advisable that forestry officers should make a survey of properties where it is proposed to cut in order that they might determine where operations in certain areas might be carried on?

A. I think that policy has been carried on to a certain extent.

HON. MR. NIXON: You do not want to give the impression to the Committee that the Department does not supervise?

A. No, there is supervision.

Q. You are referring to your own responsibilities?

A. Yes.

MR. ELLIOTT: I just have in mind what Mr. Schanche said yesterday, that he thought forestry officers with technical knowledge should study the habits and history of areas where it is proposed to cut timber?

A. That would be the ideal condition, and we are approaching that with the organization in the northern district forest offices with trained men in charge.

Q. Do the timber operators practice selective tree-cutting in cutting pulpwood limits or soft timber?

A. I would not care to answer that; I am not familiar enough with that.

HON. MR. HEENAN: He has been chiefly in the reforestation branch.

WITNESS: Mr. Sharp would probably have more information on that than I would have.

MR. ELLIOTT: You agree they should, do you not?

A. Yes, within feasible limits.

Q. Does fire protection come under your supervision?

A. No, it does not.

HON. MR. NIXON: Your main activities are in connection with reforestation in old Ontario?

A. Yes.

Q. You do not look to artificial replanting to solve our problems in the North for the future?

A. No.

Q. For the pulpmills or sawmills?

A. No, I do not.

Q. You have pretty nearly got to depend on nature to do that?

A. That is going to be a long story in the gradual development of these forest areas. There will probably be, as we get working, areas that it may pay to reforest. But that is a thing in the future.

MR. ELLIOTT: Is it not the idea, in order to assure continuity of growth of timber, that they should practice selective tree-cutting in carrying on their timber operations?

A. Yes.

Q. Which would make artificial reforestation unnecessary?

A. As a theory, that is correct.

Q. That has been practised by some of the operators?

A. I think so, yes.

Q. For instance, is that not the case in Algonquin Park where timber has been cut?

A. I believe so.

MR. OLIVER: Do you not think it works out in practice?

A. It is all a question of cost of administration and operation. I mean, we have a theory of going in and marking trees that the operator can cut, but we have not reached that only in some small cases. But the practical operation has been carried on of taking the merchantable timber.

MR. ELLIOTT: Is there not enough faulty timber that they could leave behind to provide for natural regeneration?

A. There should be, if we attend to fires.

MR. COOPER: Why is it that with a natural growth inferior trees are growing up, mostly balsam, in some of these places where before it was spruce?

A. There are several reasons for that. In the first place, balsam, if you leave a large percentage of balsam as seed trees, you are going to get the regeneration of balsam in a large percentage, and balsam reproduces more freely than spruce.

Q. Has that not been the history, to your knowledge, that good spruce concessions have been cut out and now balsam is replacing it?

A. That has actually happened on a good many areas. The balsam has taken the place of spruce to a certain extent.

Q. What would you suggest to get away from that in the future?

A. Of course, of late years, they have been taking more balsam. Cutting the balsam would eliminate that problem.

MR. OLIVER: What is your experience in black spruce areas, in clay belts, where it is cut over. What comes up there? The black spruce, which is largely a swamp condition or lowland condition, it has been largely clear cutting, necessarily so because of windfall dangers.

Q. Yes, that is the evidence.

A. And from what little studies have been made there is black spruce reproduction now. There is not as big a problem with those areas as with white spruce.

MR. ELLIOTT: Can you not control the trees that will regenerate? For instance, in a pine area, if you leave enough faulty pine to provide natural regeneration, the pine will be the predominant tree in the second growth, is that not so?

A. Well, it should be, but in many areas, of course, the factor of fire has been a big influence in the past, and many other trees reproduce much more easily than white pine—if that is the point you are referring to. White pine does not reproduce as freely or as easily as, for instance, poplar, birch and jack pine. There are a number of reasons for that. I mean, the white pine, even

in our artificial work of reforesting, is one of the most difficult trees we have to reproduce. It has a number of very difficult enemies.

HON. MR. NIXON: And conditions have to be perfect in its early stages, you cannot plant a lot of white pine up there, in a bare open space and expect much success, can you?

A. No.

Q. Is it not Nature's way to have these other species come on, like poplar, then your pine gets established in the shade. I have seen some of your plantings up north years ago, where the samples of trees were very poor.

A. We had a very good demonstration of that. We found that the white pine does best where it comes up in a mixture with nursed trees, as we call them. In connection with our poplar, birch and pure white pine plantations, up to date, we have had very poor results with them.

Q. You have seen the plantings in Algonquin Park?

A. Yes. The Algonquin Park region is very seriously infested with one insect known as the pine shoot borer; and the open plantations of white pine are pretty badly riddled with them. At the present time, as a matter of fact, we do not use pure white pine plantings any more.

MR. ELLIOTT: Aside from the question of plantations, if we are to look for a continuity to our timber, the means is by leaving enough seedlings to provide natural regeneration in the areas which are being cut from year to year?

A. Well, that would have to be given a good deal of study. There are a lot of areas where we feel quite certain that we will not have a satisfactory crop of white pine.

Q. You would have some, in any event?

A. Yes, but you wouldn't have a stand comparable with an artificial, planted area.

Q. Of course, as you said before, you only plant for the purpose of demonstration and education?

A. Yes, up to date in northern Ontario.

Q. But to look to the future to secure continuity of timber, we have got to insure the timber by selective cutting.

A. Selective cutting. But we have areas—I think the Department is at the present time considering artificial regeneration in parts of Algonquin Park where we have no pine left as seed trees, owing to fires and other conditions, but largely fire situations of years past.

HON. MR. NIXON: Mr. Chairman, before we start in with Mr. Zavitz's

testimony for southern Ontario, where very constructive work is done, perhaps we might adjourn until this afternoon.

MR. ELLIOTT: Yes. We will adjourn until 2.30.

WITNESS: I will have a map for southern Ontario.

At 12.30 a.m., the Committee adjourned until 2.30 p.m.

AFTERNOON SESSION

April 26th, 1940—2.30 p.m.

MR. ELLIOTT: Will you proceed, Mr. Zavitz, please. You have covered northern Ontario pretty well. Can you go ahead now and tell us of the developments in reforestation under your supervision in southern Ontario?

A. Mr. Chairman, the reforestation work in southern Ontario dates back to 1905. There had been considerable agitation in the agricultural Press and throughout the country, in regard to the over-cutting and depletion of woods on ordinary farms, and on the agricultural part of the province.

Forestry is not thought of, sometimes, as an important factor. But I might say that the forest products from the farms amounts annually to some \$14,000,000.00, according to the last census.

Q. In Ontario?

A. In Ontario. So that it is, from the standpoint of fuel woods and small materials in pulpwood, very important.

HON. MR. NIXON: Q. That does not include export of pulpwood from local farmers at all?

A. No.

MR. OLIVER: Logs?

A. You mean the total figure of \$14,000,000.00?

Q. Yes.

A. I have left some bulletins on my desk. But The Farm Woodlot bulletin, page 10, gives an analysis of the figures making up the \$14,000,000.00. It is a little under that census of 1931. It has been as high as \$18,000,000.00. But the main effort and the main influence behind the development of this work has come from the agricultural community in the past, largely.

In 1905, a small forest station in the Department was started at the Agricultural College to provide planting material for private land owners, and to give what you call extension work to the farmers in the care of their woodlot and the planting of waste land, also lectures at the College at Guelph.

That developed, and in 1908 a report was made on the larger problem of the idle and waste lands of southern Ontario, which amounted, in the estimate at that time, to some 8,500 square miles. That problem was attacked at that time. It was initiated by the province starting a forest station in the County of Norfolk where there was considerable waste land; that is, a station to provide nursery stock, as the grounds at the College had become too limited for supplying this material, and also to carry on reforestation as a State project of an experimental nature. To make it brief, that station to-day has some 3,500 acres.

To follow the idea of provincial stations, it was felt that strategically located in the province, we should have forest stations supplying planting material and the nucleus or centre of demonstration and experimental planting.

That map over there shows a station which was created in 1922. The golden star indicates a station in Simcoe County. Many of you know that station. At that station we have some 2,000 acres, comprised of 200 acres of nurseries and the balance in experimental plantations and some natural woodlots.

Then a station was placed in Durham County about a year later. .

We have also a small station in Prince Edward County, which was Crown land. That Prince Edward County Crown land was largely a sand dune, commonly known as the sand banks of Prince Edward County. We have carried on experimental plantings there to hold the sand.

HON. MR. NIXON: Has that been pretty successful?

A. That is fairly successful. We have had to devise the method of planting with poplar and nursed crops before we cut out the evergreens.

Then, I might say that in 1911, or going back to the problem of these larger areas, it was realized that the province as a province could not undertake the financial responsibility of trying to reforest many of these larger areas. And the County Reforestation Act, which really had been initiated in 1911 in Hastings County, I think was passed in 1911. That Act had lain dormant until 1922, when the County of Simcoe undertook to enter into an agreement with the province to carry out the work on a thousand acres. That was the initiation of the county reforestation work. To make it brief, Simcoe County to-day has 5,000 acres reforested under that scheme, of idle lands in the county.

The red circular stickers show the present counties having forests under agreement with the Government. These forests in total amount to about 18,000 acres at the present time.

Then you have the red stickers cut in half. Those counties have entered into reforestation schemes under this Act, but not in direct agreement with—that is, not with an agreement. In other words, to give you a concrete example,

the County of Norfolk has up to date purchased about 1,500 acres of land and reforested it at their own expense.

I may say that the county reforestation agreement, of which I have the form here, and which I will not read nor will I go into the details of it—but in the case of the counties entering into an agreement with the province, the province takes over the care of the property, pays the cost of planting, and, over a period of 30 years, the county pays the initial price of the land, purchases the land and turns it over under this agreement.

There are three options which may be taken between the province and the county. As I started to say, Norfolk County entered into this scheme by purchasing land, providing the labour themselves, planting it and simply receiving from the province the supervision and the supply of trees.

As I say, Norfolk has some 1,500 acres at the present time, and have the policy definitely laid out of purchasing any idle lands that come into the tax sales, or lands of that character, marginal lands. But there are a number of other counties in this scheme having smaller areas.

I think that covers the county reforestation work. I might say that a new phase of the work was initiated about 1936, when an organization started throughout the province known as The Conservation and Forestry Association, composed of officials of the various counties. And this is a rather interesting phase in the development of reforestation, because this organization is composed largely of municipal officers, practically every county having a forestry committee within its county organization. The province is divided into five zones under that association and a definite organization has been built up.

The reason I say this is an important development is, that I think it looks forward to the time when we will have in southern Ontario, co-operative or local forestry boards looking after forestry matters. And that organization, as I say, is largely composed of municipal officers.

In the earlier years, about 1906, most people thought of the depletion of wood in southern Ontario, the lack of fuel wood and the question of supplies. In 1936, there developed a bad drought in western Ontario, and serious droughts in many parts of the province. Then the question of water conservation became a very prominent question. It was one of the important features in developing this new organization throughout the province, known as The Conservation and Forestry Association. And the question of reforestation in regard to water conservation is worth mentioning.

There are a great number of areas with watersheds in southern Ontario which are marginal lands and which are the sources of a lot of our important streams. We have been making surveys of some of those areas, and there is an effort being made to interest the municipalities in securing these lands and putting them back under forest. I do not think I need go into the theory of water conservation, but we all, I think, accept the theory that a watershed covered with forest is going to protect the spring flow-off, and that important feature is of great interest.

Then one of the more important features is the fact that if these water-

sheds are protected with forests it is going to influence greatly the ground water level which supplies farms and springs, and which we know in a great deal of old Ontario has been greatly lowered in the last few years. I regret that we have not got scientific data as to the actual lowering, such as they have in some of the American watersheds. But it is quite evident from local inquiry in regard to wells and springs that this ground water level has been greatly depleted and, we feel, largely owing to the gradual denuding of forests.

The work has been carried on for the last few years with the distribution of trees to private owners. With the distribution of trees to municipal and civic bodies, we have a few places where cities have bought land and reforested it to protect their water supply.

One of the interesting examples of this is the town of Beeton which a few years ago found its springs being depleted and carried on quite a large scheme of reforestation, and they feel that they have actually got results in a better flow and a more reliable flow. There are a number of cases which I could cite to show that this is really practicable. I mean, you get practical results, but I will not go into the details of that.

Another feature at the present time is that there has been a great deal of interest in the taking up of this work by the schools from an educational standpoint. I may say that a number of counties have undertaken to purchase land and have the school children reforest it. In other words, we call them school forests. The County of Norfolk has a number of those, as well as the County of Simcoe. It has been taken over pretty well by the municipalities through these organization meetings we have had, the idea of school forests.

Then the Department carries on what we might term extension work.

HON. MR. NIXON: Before you leave that question of the school children planting trees, the European countries have given a lot of encouragement to that idea, have they not?

A. Yes.

Q. Asked them to plant a number of trees each year?

A. Yes.

Q. The same number as they have years in their age, and so on.

A. Yes, they have all sorts of schemes tied up with their schools.

I might interject that another interesting feature is the movement in the Boy Scouts. We have one outstanding case in Simcoe County lying right alongside of Camp Borden where during the past few years the Boy Scout Organization has been planting trees. The Boy Scouts at that forest near Camp Borden have planted in the last few years over a million trees, and we feel that that is a type of educational work that is very valuable. They are starting this year Boy Scout planting work in Norfolk on some of the Norfolk County land.

This extension work that I mentioned is the same idea as in agriculture. I mean, we feel that in southern Ontario the province cannot undertake expenditures on all of these small areas that we meet, and that local education and local influence must be developed to secure a proper percentage of wood land on these areas.

The Department has several men who go out through the province on extension work, and one man at the present time devotes his time largely to the protection and development of woodlot work. I know the question arose earlier in the Committee as to what these woodlots meant. I might explain briefly that these men visit the farmer and discuss the management and care of woodlots, and it is largely a question of protecting the woodlot from cattle, giving him advice as to what further planting he might do, or what thinning or cutting it might be advisable to make, and, in general, advice on woodlot work.

MR. OLIVER: How does he get in contact with the farmer, through the agricultural representative?

A. In a great many cases, yes, but very often men reading the agriculture journals see this work and write in. I may say that our staff is entirely inadequate to carry out this work on the scale on which we hoped to be able to carry it out. That is a question of money and a question of policy. But we do feel that an organized system of extension work throughout southern Ontario is absolutely vital to the proper development of a reforestation policy in the southern part of the province.

Now, I do not know that I can enlarge on that, unless there are any details you would like. I might mention that we have started near Camp Borden, at Angus, a seed extracting plant. We found in the early stages of this work that we could not depend on buying seed on account of the unorganized way of collecting it. So that to-day we have a central plant that is being carried on where the cones from the evergreens and the other seeds are brought in. We have the proper conditions for storage, and in the case of coniferous trees, such as pine and spruce, they require special attention; so we have an extracting plant at this point, and we carry anywhere from 10,000 to 60,000 bushels of cones every year. This is our central seed supply.

MR. COOPER: Where do you get those cones, Mr. Zavitz?

A. They are collected in various ways. The tree with which we are doing the most work is the red or Norway pine, which is the most satisfactory tree on our marginal and poorer soils. The red pine cones are collected all over the northern Ontario and the red pine region. It varies a great deal owing to the different areas. The red pine only seeds occasionally, sometimes only once in seven years. Occasionally we find a complete failure. This year I think the bulk of our red pine cones were collected in the Massey district. As a matter of fact, we have a number of districts where the local people have now become educated to the method of collecting them, and they take them into the little central place and our men collect and buy them in that way.

Q. Do they bring in any from Norway or any of these places?

A. No. So far as the use of exotics or foreign trees is concerned, we are

doing very little with them, outside of Scotch pine, or very little planting, because the introduction of foreign species is a very uncertain problem.

MR. OLIVER: Do you import Scotch pine?

A. We import the seed, although at the present time we are collecting some seeds from our earlier plantations.

Q. What about that section in southwestern Ontario?

A. Southwestern Ontario?

Q. Down in Kent and Essex?

A. Of course, we have a provincial park at Rondeau, right at Kent County. But we have been unable to get these counties interested.

Q. Is that on account of the valuable land?

A. It is the type of soil, yes. There are very few large areas. There are no large areas and marginal lands in those counties.

MR. ELLIOTT: Some of those counties have even purchased large tracts of woodlands and are starting their reserve on that basis.

A. The County of Peterborough has entered into this scheme, under the County Reforestation Act. I think they have nearly 3,000 acres, but a large portion of that is second growth, and it is a question of the county organizing it with perhaps a small percentage of planting. We feel that where a county has land of that kind it is a very valuable asset to secure these second growth areas and keep them as a county proposition. I have not gone into the financial end of it, as I said earlier. The main pressure behind this whole work, and interest, was largely a question of allied interests, such as water conservation, protection from erosion and winds. But we have enough data now to know what is likely to happen in the way of financial returns. And we have one plantation in the Ottawa Valley of which a close study has been made. That plantation, which is Norway or red pine, is producing a little over a cord per year per acre, on land which was originally waste land. We have records of a number of others where we are getting production of that kind, and I am often asked the question as to the financial status of this whole problem. I have not the slightest hesitancy in saying, with the knowledge of the growth and what has happened in Europe—at least from these studies of our earlier plantations—that land anywhere around \$10.00 an acre or under is a perfectly safe financial investment for a county. And eventually we feel that many of these municipalities—take Simcoe County which has at the present time 5,000 acres with a definite policy of increasing it as fast as they can buy up other areas—eventually that county will have a body of timber in which they will have not only a net revenue from the timber, but they will have an outlet for labour. It will supply a labour market at certain times of the year.

We feel that from the knowledge of what has happened in municipalities in Europe, and especially Scandinavia, these municipalities are carrying out a

wise policy in securing these marginal lands which in the past were a burden and in many cases paid no taxes. We feel that that policy is sound.

MR. COOPER: What do you mean by "marginal lands"?

A. We have absolute waste lands; then we have lands that are in between, not fitted for agriculture at the present time under present crop requirements.

MR. OLIVER: Those half red circles represent areas in which the work has been carried on by the county independent of the province?

A. Yes, the half red circles. For instance, Huron County has purchased under The Reforestation Act one hundred acre blocks in different townships. In some cases—I have not been over them all—they have bought some fairly good land; but they bought it at points where they desire to carry on a demonstration, and they have bought in each township, I think it is, 100 acres.

Q. And in which case they have no agreement with the Crown?

A. No agreement with the Crown, except the Minister under the Act; the county will not enter into the scheme without the authority of the Minister; a by-law is passed which the Minister authorizes.

MR. ELLIOTT: Q. Who supervises the cutting of these county Crown Provincial Reserves?

A. We are just reaching the stage where that is beginning to be a problem; we haven't done any real cutting.

Q. That is done under the supervision of the Department?

A. That would be done at the present time under the Department's local superintendent on the property.

Q. In lots of cases there are no local superintendents, no departmental representatives on the property?

A. In the county forests there are. There is a county forest caretaker in each.

I might say on the Provincial sites the local superintendents are graduate foresters and in the case of Norfolk, which is the oldest, we are already making thinnings, and there is part of the property which had natural wood and in the natural cuttings have been made and we have a local market in Norfolk for practically everything that is taken out.

MR. COOPER: Q. What is a thinning?

A. A thinning in a plantation—originally your trees are planted anywhere from 3 to 6 feet apart and in twenty years they are beginning to crowd—in red pine longer than that—but the day comes when you find a lot of suppressed trees and a lot of dominant trees; you know in twenty or twenty-five years the

trees that are really going to be the best trees and, as we call them, dominant trees. In about twenty-five years you begin to pick out the suppressed trees, to make more root space and more crown space to the others.

MR. ELLIOTT: Q. Going back to a point you mentioned, you said you were carrying on this extensive work through your representatives, don't you think if it were impressed on the farmers with reference to waste lands it would be promoted a little more? In places like Central Ontario in certain localities there is probably as much waste land as there is land for agricultural purposes, and the farmers there are not interested in reforestation, they don't seem to know anything about it. If there were local representatives, not very many but a few of them throughout the province, it might grow?

A. Mr. Chairman, I got pretty close to that a few minutes ago: I felt we should have an organization, not on a detailed scale that agriculture has, but that we should have perhaps five or a certain number of districts in the older part of the province with a forester who would work along with the agricultural representative, because the agricultural representatives have taken a great interest in this work and I feel there are a lot of problems we have that cannot be solved by the men working at the head office, there is too much traffic.

Q. You can hardly find a municipal council to-day that is not interested in reforestation and a representative might meet with them once a year and follow it up and I am sure there would be a lot of reforestation and tree planting promoted?

A. Yes, I am sure of it.

MR. COOPER: Q. I don't know whether this comes under your particular department or not, but about two or three years ago there was an invasion of what they call army worm, I think, through the north?

A. Yes.

Q. Which practically destroyed all the poplar growth in that particular section. Did that come under you?

A. Well, the insect control and tree disease work is under my office.

Q. You are familiar with that?

A. Yes, I certainly am. We get a flood of material every year from some section reporting on an insect outbreak, but I wish to point out that in insect outbreaks of that character they reach a stage before even the local officers know it, a stage whereby we don't know of any practical control, their only final control is by parasites or by running out of plant food.

Q. I think they tried some system of spraying from airplanes up there in the West Tree district?

A. We have had one experience of dusting from airplanes with the hemlock looper; it is a very difficult and very expensive equipment, it is not feasible, and with the outbreaks of that caterpillar that you refer to they cover enormous areas.

MR. OLIVER: Q. Did it kill the trees right out?

A. It worked largely on poplar and a certain amount of birch; one attack doesn't seem to kill them if you get favourable weather during an attack—I mean, if you get plenty of moisture, but if a continuous attack over two or three years takes place, it usually kills them out. It is largely a matter of weather conditions and soil conditions.

I might say that entymological control work in Canada is controlled under the Federal Department, where I think it should be, but I think we should give them every assistance; I mean insect control outbreaks don't know provincial boundaries; and they have a very efficient staff which perhaps might be enlarged at certain places, but the control measures are a very difficult problem.

HON. MR. NIXON: Q. Does the province assist in the work of the Federal Government?

A. Yes—well they did give a grant assisting in the distribution of parasites in connection with the spruce outbreak.

Q. That was my recollection?

A. Yes.

MR. W. G. NIXON: Q. We have a lot of natural tamarack growth coming back in the north, you see it over a wide area; they have liberated attacks every year, and it seems to be having a very worthwhile effect?

A. I might say that that outbreak occurred previous to 1900. The larch and our native tamarack belong to the same group, and the large sawfly came into North America perhaps long before 1900, but it practically wiped out the hemlock right through to James Bay. In 1908, they brought over the parasite that existed in Europe and started introducing it into Ontario as far south as Norfolk County, and we feel that the balance is going to be right in time—there will be local outbreaks.

Q. There seems to be a very favourable balance now?

A. Yes.

Q. Because we have got over a period of years that there doesn't seem to be any recurring damage to the tamarack?

A. Well, we think that it has obtained very good results.

MR. W. G. NIXON: Yes, it looks like it.

MR. ELLIOTT: Have you anything further to submit, Mr. Zavitz?

A. I might say that I left and each member will have some bulletins sent out in connection with our extension work, the tree planting bulletin and the bulletin on care of wood lots and things of that kind.

Q. Is there anything further?

A. No, I think not.

MR. DREW: Now, Mr. Zavitz, is there any actual plan of operation outlining the duties of your Department?

A. Well, the appointment is simply under direction of the Minister.

Q. But is there any set plan of operations?

A. There is no legislative —

Q. I don't mean legislative—is there anything in writing that outlines the exact duties of your branch of the Department?

A. Not that I know of.

Q. Is there any general written direction which defines the duties of the different branches of the Department as between forestry and operation and so on?

A. I think that has largely been at the direction of the Minister; I have no memory of getting letters covering it.

Q. You spoke a short time ago about the fact that a study should be made of our forest resources. Would you please explain that a little more definitely, as to just what study you think should be carried out?

A. That was before lunch, Colonel?

Q. Yes?

A. I had in mind then when I made that remark, the study of research work, if you wish to give it that term, the study of our cut-over and burnt-over lands to acquire definite information as to what is happening, what has happened, which is really research work in silvicultural lines.

Q. Tied in with that I imagine would be some inventory of our forest resources in the various areas, that the two would go together, wouldn't they?

A. Yes.

MR. ELLIOTT: I might point out, Col. Drew, Mr. Zavitz is in charge of the artificial reforestation and Mr. Sharpe is in charge of the Forestry Department timber operations.

MR. DREW: Yes.

Q. But, as I understand, Mr. Zavitz, that was exactly the reason that I asked if there were any written instructions defining the scope of your activities. As I understand it you are in charge of forestry as distinguished from the actual business end of the Department?

A. Yes.

Q. And your activities from the forestry point of view are not confined to southern Ontario, are they?

A. Not altogether, no; I am frequently sent out to other quarters.

Q. Let me take this as an example: Suppose an application is made for an area such as the area which originally went to the Lake Sulphite—I want to get the picture of what the practice actually is—that involves not only the question of acreage and the question of the business methods but it also involves the question of forestry practice. Who would be asked to express an opinion as to the desirability of granting that particular area from the point of view of good forestry practice?

A. Well, I think in the case you mention that area had been surveyed and Mr. Sharpe and Mr. Brodie had made a report on that area; I think Mr. Sharpe would be the official who would have the best knowledge of it both from a forestry and operation standpoint.

Q. What I really want to get is the practice. I notice in some of the memoranda for instance accompanying recommendations for Orders-in-Council the words are used that it is consistent with good forestry practice, and merely from the point of view of examining the present set-up of the Department, I am asking when an application is made for the allocation of a particular area what procedure is followed to determine whether that is in accordance with good forestry practice or not?

A. I think the procedure is, that goes to Mr. Sharpe's office and he with the local officers makes a report on that area. I think that is the procedure.

Q. You cannot speak on that yourself?

A. No. I have got nothing to do with that part of the administration.

Q. Then Mr. Sharpe can speak on that?

A. I would think so.

Q. You were just asked a few minutes ago by Mr. Cooper about a certain particular aspect of insect problems. What is the general situation in regard to insect control or the study of the effect of insect life on the trees?

A. Well, you mean the actual situation in the field—in the woods.

Q. Yes?

A. There are a number of areas in Ontario where we have had very serious outbreaks in the timber and the consensus of opinion—I am speaking now as a member of a committee under the National Research Council—the general consensus of opinion is that outbreaks of that kind will probably only be controlled by the development of parasites.

I can give one concrete example, the spruce bud worm, which is a very serious insect pest and it has done some very great damage in Canada. So far they have evolved no practical way of attacks by dusting. I mean to say not knowing of that insect's work and the way it works makes it impossible to kill it.

HON. MR. NIXON: Q. Has Ontario suffered from that?

A. Yes. We have a good deal of that outbreak in spots and it is felt that it will only be overcome in a natural way with the development of parasites. That is the reason we have this Federal station at Belleville in which we are all interested in the distribution and dissemination of parasites, but the actual control is a problem.

MR. DREW: Q. The reason I asked the question is that I understand that it is generally agreed now that there is very heavy loss from controllable insect damage?

A. Yes.

Q. And you say that the Belleville station is devoting its activities particularly to that?

A. Yes. That is the studies under the Federal Entymological Branch.

Q. And is the province co-operating in that?

A. The province is not participating in the station itself but we have got a grant to assist in the dissemination, I don't know just how it has checked but I know that there was a grant each year for that the last two or three years.

Q. You speak of that work being done by this Research Committee. Have you yourself any active contact with that Research Committee?

A. Well, I have attended the meetings and listened to the reports of the entymologists who are working at that work under the Federal Department.

Q. Are you now referring to that Research Committee to which the Dominion Government Council —

A. No. That is the technical branch.

Q. That is what I was asking; I don't want the two confused?

A. No, that is a separate thing entirely.

Q. Is there any report from that committee.

A. Yes, there are reports on various phases. I can easily—

Q. Can you produce some for us?

A. I can secure those.

Q. They can simply be put in and filed so that we can examine them because it seems to me that that is one thing we should be clear on just how it is being done. Is the present arrangement that the province will benefit then by any results obtained at Belleville?

A. Oh, yes. We have the actual dissemination of parasites in some of our territory.

Q. To what extent has that dissemination of parasites been carried out?

A. I can't give you the number in millions—they send them out by millions—but I would have to get that for you.

Q. I want the picture from a practical point of view; I don't want to be misled or to have a wrong opinion of this, but we have been given to believe that the effective control of insect pests is one very important branch of the protection of our forests to-day. That is so, isn't it?

A. Yes. I would say insect pests and fungus or plant diseases as we separate them would probably be more serious in the future than fire—I mean it will be a bigger problem.

Q. That was the point I was getting at?

A. Yes.

Q. That diseases, whether they be spread by insects or by fungus growths, really are of sufficient consequence that in time they might be even more serious than fire itself?

A. Absolutely.

Q. So that having regard to the amount of money we spend on fire protection, certainly there should be a good deal of attention paid to the preventing of these forms of disease?

A. Yes, I think so.

Q. And of course, naturally I am not advocating the expenditure of any more money than necessary, but I am trying to get this in its proper light. Would you just, in your own words, explain from the practical point of view, the general way in which this war against disease by parasites is carried on?

A. Well, take the spruce bud worm and a number of others: As a rule the insect, which develops into a serious outbreak in many cases, is an insect that has been introduced from Europe or from some other source, and in the infection, the parasite or the enemies that have kept it in balance in those countries are missing, they are not here. In this case, the Entomological Department of the Federal Government have had agents in various parts of Europe collecting and sending over material, which is developed and studied at Belleville and then introduced into certain areas, and as fast as they can get, you might say, growing stock, it is disseminated into the areas where infection takes place, where there is

affected timber. That organization is a separate organization in the Entymological Branch which carries on that work.

Q. Who is in charge of that?

A. The man at Belleville is; Dr.—I can't think of his name for the moment, but Dr. DeGrace in Ottawa has charge of that branch of the work, forest insect control work.

Q. Have you any suggestion to make as to steps which could or should be taken, in regard to the control of insect pests by parasites?

A. Well, it is largely the question of spending money on equipment and laboratories and the development of those. I hesitate to recommend anything in the way of actual field control by dusting or methods of that kind that are frequently referred to, because they have their limits and have not been altogether satisfactory.

Q. No attempt, at any rate, has been made to have the companies that control the areas deal with that at all?

A. Well, the companies have co-operated with the Federal men in their field work. Of course, there has been an effort made, at one time there were experimental efforts made with dusting up in some of the Sudbury regions in which the companies helped.

Q. You will let us have any reports you have from that station at Belleville?

A. Yes. The Association Committee.

Q. How serious is the extent of the white pine blister rust that there has been a good deal written about?

A. Well, I think it is a fairly serious problem. We have reports on certain areas checking up to see the rapidity with which it has developed, and we have been carrying on the checking up of currants and gooseberries within our plantations and areas of that kind, and have some cost figures, but I think it will become rather a grave problem. It has practically disseminated all over the white pine region to-day in Ontario; that is, we find it on the ribes, that is currants and gooseberries, from which it comes to the pine; in some areas there has been found a considerable amount of white pine affected, but it doesn't affect the mature or older timber; it may affect that, provided it works in the younger tissue of a tree, but affects more largely the reproduction of the young growth.

Q. Will the control of that rust be under the same general direction as in the case of insect pests and so on?

A. No. I might say that the set-up there, the Federal Government have a Forest Pathology Department in the Department, Colonel, and they have made field studies, but their contention is that this timber is Crown timber or owned in the province and that eradication measures and work of that kind should be undertaken by the province; that has been the contention in the past.

Q. Do you mean by that, that it is more or less at a standstill?

A. Well, the study this last three years has been made in certain localities, such as Algonquin Park, of just how rapidly and what the possibilities of the eradication, but at the present moment we hope to carry out eradication on some local areas.

We made studies many years ago of the number of—if you understand me, we made a survey across the Ottawa-Huron region, from Georgian Bay to the Ottawa River, to find out how much ribes in that region and in check plots and so on, and it is an enormous problem. We have already attacked it in our local nurseries and plantations, but eradication, to carry that out over a large area, would require a considerable sum of money, and we will be able to give some estimate of that in the near future. I think there should be a start made on eradication in the actual white pine areas.

Q. How could they start it best?

A. Well, you would have to have additional field offices and field parties to carry it out, you would have to have a certain organization if you did carry that out at a minimum cost, and be efficient.

Q. How much opportunity have you had, personally, of studying the situation in the clay belt, from a forestry point of view?

A. Well, I haven't been up there the last several years, but I have been up a great deal in the past twenty-five years.

Q. There, of course, is a good deal of divergence of opinion as to the possibility of developing the clay belt; some people think that there is a tremendous opportunity for the development of a new area there. How much can you say about the extent to which the cutting requirements in the clay belt are adjusted to that possibility? Do you follow me?

A. I understand you mean is there sufficient agricultural land or soil up there available for settlement at the present time?

Q. Yes?

A. Well, it is my impression there is, but I think that should have a more detailed survey.

Q. A more detailed survey than there has been yet?

A. Than we have had at the present time.

Q. The reason I ask the question, Mr. Zavitz, is this, that after all, for some years there have been conflicting arguments about the importance of the clay belt, and on the one hand you have people who claim some expert knowledge, who will go as far as to say that the opening up of that territory would create an enormous agricultural area comparable to what we have down here; then there are others who question that; but is it not so, that if the clay belt does provide

great possibilities from the agricultural point of view, that the cutting in that area would be on a different basis to what it would be in rocky soil where agriculture would not enter into the problem?

A. Well, I would imagine that, but I really don't feel competent to answer that question, because the extension of agricultural development, there is a problem tied up with markets, and I wouldn't care to give an opinion to any extent on that problem, Colonel Drew.

Q. Do you know, either in your department or elsewhere, any place where there is accurate information available in regard to the clay belt from the point of view of its potentialities and desirability of following certain practices in cutting wood there?

HON. MR. NIXON: Q. Billy Nixon knows more about that than anybody else.

MR. DREW: Perhaps we will get him to tell us the story.

A. Well, I don't know of any report of late that would be up to date at all that would cover that whole question; I don't know of any report.

Q. Without tying you down too much, don't you think it would be desirable that there should be a fairly comprehensive survey of the area made?

A. Yes. I think the policy of segregating and surveying forest lands is a very important one. The whole history of the present conditions in many parts of northern Ontario would prove that.

Q. In what way?

A. Well, many lands that have been opened up that are unfit for settlement. I mean it has been going on for a generation. A survey, I don't mean a forest survey, but a survey of both foresters and agriculturalists, soil experts, is what is really necessary, is what I had in mind.

Q. I just want to follow this for a few minutes because it seems to me that some of the arguments in regard to the clay belt have been partly true, that there is a tremendously important potential opportunity up there if it can be followed through but, as you say, it involves not only the forestry end but also the agricultural end and of course the question of transportation and otherwise. It has already been suggested here on more than one occasion that in countries where the timber grows on agricultural soil a definite practice is adopted there on a somewhat different basis to the practices where the soil is only suitable for timber growing. For instance, they have a system of clearing so much of that out and out agricultural land from the other and then retaining wood lots adjacent to that as a continuing source of wood. I imagine that you would agree that it would be desirable to have a survey made from the different points of view that would be affected in this clay belt area if it has not already been done?

A. Yes, I think it is very important that a study of that sort be made.

MR. W. G. NIXON: Have you any knowledge of the areas which have been timbered off and abandoned through the clay belt section?

THE WITNESS: No, I have no details as to that problem.

MR. DREW: I think it would be desirable, Mr. Nixon, if we could get something on the record in regard to the situation in the clay belt, because undoubtedly there is very great misunderstanding as to that situation.

MR. W. G. NIXON: I think you will find that the Department has records through its various Crown land officers in the north showing the lands which have reverted to the Crown. Of course in the unorganized townships, it would have to be secured through the records of the township clerk. Much of it is in unorganized territory and that information is available in the records, I think.

MR. DREW: What I have in mind is not so much the arithmetic of the areas which are opened up and the areas which are abandoned, as it is the fact that there is undoubtedly misunderstanding which exists in regard to those areas, because people so often do not investigate thoroughly, because looking at the areas which have been abandoned up there I think it is fairly definite that a great part of that which was abandoned was abandoned by people who did not intend to stay there; they went in, cut and left.

MR. W. G. NIXON: They were not interested in anything but the timber.

MR. DREW: Yes. What I have in mind is that if there are agricultural possibilities up there I suggest it would seem desirable that the area be looked after from the foresters point of view as well in order that the opening up be combined with the preservation of secure forest production in the area.

MR. W. G. NIXON: A study of the reports issued by the Dominion Experimental Station in Kapuskasing and throughout other areas in the north, will show definitely the possibilities.

HON. MR. NIXON: You actually worked over that area for years.

MR. W. G. NIXON: Yes, for twenty years. That was the work I was doing, so naturally I have some knowledge of it. Soil fertility is a big factor in crop production. The clay belt area unlike the area of older Ontario did not have the natural soil fertility which obtained throughout the part of the province where you had tree growth. The clay belt area is largely an evergreen tree growth. You have a different set-up in your soil accumulation. You find natural elements of food there required for that production, but we can build the soil through the medium of legumes of various kinds. Failures have too often been due to a lack of soil fertility more than to climatic conditions or length of growing season, like agricultural methods and so on and so on.

There are a lot of angles which come into the picture and the lower clay belt of which we speak is largely the district of Timiskiming on the Ottawa Valley Slope. When you get into the Cochrane district you get into the James Bay Slope. Even there there are some very remarkable results.

The third prize at the Chicago Grain and Seed show was taken by farmers

of the Madison district with field peas. The farmer had to have something worth while before he could secure a prize of that type at Chicago.

HON. MR. NIXON: And the same in potatoes?

MR. W. G. NIXON: Yes. A man named Johnson out near Clute, two years ago, harvested two thousand bags of marketable potatoes. He did it because he employed good agricultural methods. He fertilized, cultivated, and through his medium of cultivation to keep the frost away until his crop was matured. The settlers surrounding him, who did not cultivate, lost their crops because of lack of absorption of heat during the day time which would keep the frost away during the night, when the heat is given off in sufficient quantity to keep the frost from attacking the crop.

We experimented; we cultivated one plot and left another uncultivated. The uncultivated plot was frozen down, while the other cultivated plot remained unfrozen, because of those factors.

There is no doubt about the agricultural possibilities of much of the clay-belt area. To what extent it can be carried is a matter of opinion, having regard to the value of the timber which is there, markets, isolation, climatic conditions and so on and so on, but you cannot make a successful settler out of the average man on the street. He has to have some love in his heart for the work he is going to do, if he is going to succeed.

MR. DREW: But subject to that, you have convinced yourself that there are very great possibilities in that area?

MR. W. G. NIXON: It has been proven; it is a matter of record. It is not a matter of experimentation, but a matter of record that splendid results have been obtained there. One young farmer in the New Liskeard area obtained 600 bags of certified seed potatoes from his last year's crop, for which he is getting, without any trouble, \$2.00 per bag.

MR. DREW: Q. Mr. Zavitz, in regard to the actual practice of the foresters as to enforcement of cutting regulations, disposal of slash and so on, someone else will review other than yourself?

A. Yes.

Q. You spoke of this briefly already, but can you give us a little more definitely, how far your department has gone in regard to the possibility of assuring the growth of the right type of timber in areas which have been either completely cut over or burned over?

A. Well, there have been no exhaustive studies made of cut-over and burned-over land, if that is what you mean.

Q. What I mean is, that when land is burned over or cut over—and I mean completely burned over or cut over—I understand it is the inferior grades which have a tendency to sprout most actively in those areas?

A. That is not always true. A great many of our stands in northern

Ontario are very good quality stands and have a fire history. It may have been 90 or a 100 years ago, but in many cases we have definite record of growth reproducing again to a good mixture of merchantable species.

The worst problem is found in lands which have years ago, been burned over three or four times—continuous fires—but that is not the case to-day. I mean, it is within limits, but fire control is pretty well solved.

Q. I think perhaps it was Mr. Schanche, who mentioned it yesterday, but in any event, you have nothing to suggest in regard to that?

A. No.

MR. W. G. NIXON: Q. Have we any reforestation work actually being done on any of the clay soils in the north?

A. On the clay-belt?

Q. Yes?

A. Nothing of any extent.

Q. Nothing of any extent?

A. No.

Q. There was a small plot at New Liskeard of Scotch pine?

A. Yes.

Q. But it did not do so well on the clay?

A. No.

Q. There would be some doubt about the feasibility of replanting on the heavy clay soil?

A. No; the clay-belt requirements in reforestation are absolutely different from ours.

Q. Quite?

A. I mean from the standpoint of species as well as soils.

MR. OLIVER: Q. Scotch pine is not recommended for clay land?

A. No.

MR. DREW: Q. Just before we leave this discussion, do you know of your own knowledge, if any separate reports have been made in regard to conditions on settlers' lands as a distinct problem?

A. No, I have no knowledge of that.

Q. What I have in mind is that settlers' lands are dealt with under special provision, and there is a good deal of question raised from time to time, as to the actual situation there, and as to how far they have actually been used as settlers' lands or how far they have simply been used as a means of cutting timber without restriction.

A. I have no knowledge of that situation.

Q. Do you know of any study of that particular problem having been made?

A. No, I do not.

Q. Or do you know of any special study of the problem raised by the cutting on Indian lands?

A. No, I do not.

Q. That is a distinct and separate problem?

A. No.

HON. MR. NIXON: Q. There were reports of extensive damage to forest areas from sulphur fumes of the smelters?

A. Yes.

Q. We all know that within a certain distance forest life was completely killed off; I understand, even forty or fifty miles away from some of the smelters, reports of serious damage are coming in. Have you made any investigation of that?

A. Yes.

I have been on these areas and I have flown over the areas, and all you have is your observation. I mean, the problem of that is to scientifically ascertain the amount of sulphur fumes, because throughout that region there are other factors which have discoloured pine. My personal information is only worth while, having regard to the impression one gets in flying over the area, and the study which I made would show that there is considerable damage out for a great many miles by reason of sulphur fumes. To actually get any basis for argument, would require considerable expensive study.

Q. Is it your opinion that the pine at Timagami was being injured from the smelters at Copper Cliff?

A. I think the white pine received some injury. The first tree which showed signs of sulphur damage in the old days was the white pine. It is more susceptible than any other of the pines.

Q. Are the roasting operations in the Long Lac area affecting the forests?

A. I do not know the situation in there at all.

Q. Your study has been mostly in connection with the Sudbury area?

A. The Sudbury region. I may say that has been going on for a great many years.

Q. But you have received reports of such extensive damage at such great distance recently, have you?

A. In the old days, before they put those 500-foot towers up, the local areas were affected. Now that the fumes are carried out over large areas, they are possibly disseminated a great deal and that is the reason it is showing up. That is the reason, we think, it is showing up at long distances from Sudbury or Coniston and those places.

MR. COOPER: Q. Someone testified here that the forest crop should be harvested when the trees are mature. Just what happens to a mature tree if it is not harvested? Does it die at the root, right in the centre, or what becomes of it?

A. On the question of maturity: The various species differ. Take white pine, for instance. The different soils or sites give you different results, but the tree actually becomes punk. It is actually an organism which is working in the heart of the tree and very often working from broken branches into the heart and the upper part of the tree, but it is an actual breakdown of the tissue. You say, "What actually happens to the tree?"

Q. The tree actually falls down eventually and becomes part of the soil again?

A. Yes; it gets weak at some point and blows over.

HON. MR. HEENAN: Q. The outward appearance of the tree would indicate that it is solid and yet the heart of the tree would be punk?

A. Yes. We have photographs and cases of old white pine which to, the uninitiated, appears like a very fine tree, but to the timber man or the old square timber man going through the bush—I remember very well, he pointed up the discolorations and you would find that that tree appeared outwardly to be all right, but there would probably be butt-rot all through it. It takes an experienced timber man to judge from the stand.

HON. MR. NIXON: Q. And that is not altogether a question of age or maturity?

A. It is purely a question of soils.

Q. Characteristic to the whole area?

A. Yes. You get areas where white pine is 100 or 150 years old—maybe very old physically—and we have lots of records of white pine in good condition, over 300 years old in some of the better sites in the Ottawa Valley.

Q. And other sections 40 and 60 years they are all poor quality?

A. Yes, you get that.

MR. DREW: Q. So that, without a survey which indicated that there was over-maturity at a certain point, you could not guess by its age that it needed cutting?

A. No.

Q. Is there any such survey, to your knowledge, within the Department?

A. Well, there were surveys made. I think there was a report produced of that general survey, and the details of that are on a great many areas on which timber is classed as mature, over-mature, or under. Those classifications were made, but it was a very local problem on any given timber area.

MR. ELLIOTT: Has anyone any further questions of Mr. Zavitz?

That is all, Mr. Zavitz.

THE WITNESS: Thank you.

HON. MR. NIXON: I suggest, to-day being Friday, that we adjourn.

MR. ELLIOTT: We will now adjourn until 10.30 a.m. Monday, April 29th, 1940.

TWENTY-SIXTH SITTING

Parliament Buildings,
Monday, April 29th, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

THE CHAIRMAN: Order, please.

I have been informed by the secretary of the Committee that he has heard from Mr. Sensenbrenner. Here is a wire that he received Saturday, dated April 27th, 1940:

"Telegram received regret have important meeting of Finance Committee, Wisconsin University Board of Regents of which I am Chairman, in

Madison Saturday next. Can be in Toronto, Monday, May 6th, or Tuesday, May 7th, if Honourable Mr. Leduc prefers. Please advise."

Then I understand from the Secretary that Mr. Robinson will be here on Thursday at 10.30, unless advised to the contrary.

Then, John H. Hinman wrote me a letter, which is as follows, dated April 25th, 1940:

"Dear Sir: In reference to the telephone call on the 16th instant from your Secretary, requesting me to appear before your Committee next week, I am sorry it would not be possible for me to do so because of prior engagements.

"I have, however, asked Mr. S. L. DeCarteret, vice-president and general manager of Canadian International Paper Company, to attend in my place, and he has advised me that he will get in touch with you in this connection.

"Mr. DeCarteret is in a position to give you the same information and assistance that I could myself."

Would you be satisfied with that?

MR. G. A. DREW: Yes.

THE SECRETARY: Mr. DeCarteret will be here on Wednesday. I told him that there was another witness for the morning, and he said he could stay over.

THE CHAIRMAN: Very good.

Then I have a letter from a gentleman named John C. W. Irwin, of 29 Kelway Blvd., Toronto; and he tells me he has been in touch with you (Colonel Drew.)

Mr. Irwin criticizes the government policy generally, and states that he graduated in Forestry from the University of Toronto in 1922, "and for the last four years have represented the graduates in Forestry on the Senate in the University of Toronto; I am a member of the Canadian Society of Forest Engineers and of the Quebec Society of Forest Engineers, but, as indicated above, I would appear as a private citizen, and none of these organizations would be in any way responsible for anything that I might say. At the present time I am employed in an executive capacity by two book publishing firms in Toronto." He would like to have a day's notice of the time he would be asked to appear.

I understand that this gentleman has had no practical experience in Forestry.

MR. G. A. DREW: Apparently, by his letter, he has been president of some Forestry Associations.

THE CHAIRMAN: He is a member of the Canadian Society of Forest Engineers and of the Quebec Society of Forest Engineers, and for the last four years has represented the graduates in Forestry on the Senate in the University of Toronto.

He says he will appear on a day's notice at any time we wish to hear him.

Is it the pleasure of the Committee that we should hear Mr. Irwin?

HON. MR. NIXON: I would suggest that we hear him.

THE CHAIRMAN: He says, "If you are agreeable, I shall prepare for your consideration a series of criticisms of present conditions and definite suggestions for their amelioration."

Would you let him know that we would like to hear him?

MR. DREW: Yes.

THE CHAIRMAN: All right, we might proceed with the next witness.

Is Mr. Sweezy here?

MR. SWEEZEY: Yes.

THE CHAIRMAN: Will you come up here, Mr. Sweezy?

R. O. SWEEZEY, Called and Sworn:

THE CHAIRMAN: All right, Colonel.

BY MR. DREW: Q. Mr. Sweezy, just as a matter of record, I understand that you are the Mr. Sweezy who organized the Lake Sulphite Pulp Company, Limited?

A. Yes.

Q. I think, rather than going into a series of questions at the outset as to the details of that, perhaps the best way to lay the foundation would be for you to explain in your own words the attempts which led up to the formation of that company, and the original approach to the Department for the necessary authority to proceed?

A. In 1936 I was acting for the Great Lakes Paper Company, in a technical way, assisting Mr. Carlisle to carry on with the operation of that company, Mr. Carlisle just recently having become president.

I was familiar with that country,—had been for some years, having cruised it about twenty years previously, I mean timber cruising,—and in the carrying on of the operations of the Lake Sulphite it became obvious that large areas that the Lake Sulphite Company was then holding would have to revert to the Crown, as not having fulfilled the obligations which had been imposed upon them.

HON. MR. NIXON: You meant the Great Lakes. Your reference was to the Lake Sulphite, but are you not speaking of the Great Lakes?

A. Part of the land which belonged to the Great Lakes was taken by the

Lake Sulphite. The point then was, that I suggested to Mr. Carlisle that perhaps some of these lands would be retained if a separate company were formed and a mill built, in accordance with a modification of the former obligations imposed on them.

On the 6th or 7th of February, 1937, I took an aeroplane and flew over the area, the entire area comprised within those lands which were in process of being reallocated in one form or another. And out of that area, having been familiar before with it by land travel, I selected from it what I thought would be a good and sufficient area for the development of a sulphite mill. I felt manufacturing conditions would warrant such a mill in that spot.

I then came to Toronto to ascertain whether these lands could be acquired, and to build a mill as the fulfillment of the obligations for acquiring them. I sought the assistance of the local member, Mr. Cox, and I came to Toronto and sought the assistance of the Minister. And between the two I had good co-operation in the way of getting along fast with it, because I urged speed because it was not too obvious that financial conditions were going to maintain themselves, and I was anxious to get it done before there would be any collapse in the financial markets.

To make a long story short, I got the lands granted some time the following month, subject to the conditions. And I just asked Mr. Carlisle if he or the Great Lakes, or both, wished to join in this development. Mr. Carlisle, unfortunately, was away a good deal of the time just then, and I do not think he took to it very energetically; so we hadn't any time to wait. So I proceeded then to undertake the financing, and my firm underwrote the common stock, one hundred and fifty thousand common shares, at \$22.00 a share,—I mean R. O. Sweezy Co., Limited, investment dealers.

Q. You underwrote one hundred and fifty thousand shares?

A. At \$22.00. That produced \$3,250,000 in cash. Then we underwrote also \$3,000,000 of First Mortgage Bonds.

In underwriting the 150,000 shares, we made no provision for selling more shares beyond that; nor did we make provision for selling more bonds beyond the \$3,000,000, basing our operations solely on a two hundred-ton a day mill.

The stock was sold; the money went into the treasury; was spent; and later on we were ready to issue the bonds. But at that time, in the Province of Quebec, there was a Bill No. 5, which prohibited the issuance of bonds until the property was actually there to represent it. In other words, as our property was not yet built, we could not issue those bonds in the Province of Quebec; and we were obviously in favour of having the two markets; so we postponed that issue, and in doing so ran into a period when the selling of bonds was not so good.

Incidentally, I may say that Bill No. 5 has been wiped out in the Province of Quebec; so, perhaps we will not have that trouble in the future.

Just prior to the issuing of the \$3,000,000 of bonds, our firm asked for delivery of them from the Lake Sulphite.

MR. COOPER: Q. Did that Bill provide that the mill must be built before the bonds could be issued?

A. In the Province of Quebec, that Bill provided that no first mortgage bonds could be issued on any plant until the value of that plant was already there and established. In other words, that the financial valuation had been established. In other words, you must have the chicken before you have the egg. And you could not sell those securities.

That was a great detriment, and the Province of Quebec has since recognized that fact.

About the time that we could have delivery of those bonds, the directors were faced with the realization, as advised by the engineers, that the cost was higher than had been expected. So, in December, 1937, we raised \$1,250,000 in cash, believing that was sufficient to cover the shortage. These funds were raised by notes among about a dozen people, in which my own firm took a very substantial amount.

In January, a month after we had raised this additional money through notes, in calling for delivery of the bonds, it was revealed to the directors then that there was still a shortage, in spite of those additional million and a quarter which had been raised. Consequently, the directors could not sign those documents for sale. We had regard to the blue sky law about the proper carrying-out of the issue. I have no doubt we could have taken those bonds at the time, and were prepared to do so; but naturally, when good delivery was not possible, without anybody's intent one way or the other, that became impossible.

MR. COOPER: Q. Actually, there was \$4,000,000 went into the Treasury?

A. \$3,000,000 and \$1,250,000,—that stock was sold at a discount of five points, that is, they were sold at \$95.00.

THE CHAIRMAN: So that approximately, it was \$4,500,000?

A. Four million, five something.

Then you naturally ask, why did that mill cost exceed the expectations? There were very many reasons. In construction, one never knows; and perhaps we did not make allowance for a wide enough margin; but there was one point, if any satisfaction can be made out from it, that we now have, as far as we have gone, a mill which, instead of having a capacity for 200 tons a day, is more like 300 tons a day. In other words, things were done a little too well.

Had we been in ordinary times, we would not have hesitated, and would not have had any trouble about raising the money for that additional capacity.

However, we acquired the Nipigon Pulp Company's timber area; there was really no objection to increasing the capacity, unintentional as it was, from the directors' standpoint, because there would have been timber sufficient for it.

So now we have a mill which, in another five months, we should complete,

and when we do, the production should be 300 tons a day, according to the facilities now available.

MR. W. G. NIXON: Is it in process of being completed now?

A. No, it is at a standstill now, but the conditions now existing in the pulp market lead us to believe that with all diligence we can be back at it very soon. It is very hard to argue until the money is in the bank, but we have all reasonable expectations.

MR. SPENCE: That is a 200-ton mill?

A. With my knowledge, and from the knowledge I have gained from the various engineers who have investigated, we can call that a 300-ton mill, instead of a 200-ton.

Q. Have you any idea of how much it will cost to complete it now?

A. As an unbleached mill, we can complete it with an expenditure of around three and a half or four million dollars, without bleaching. To add the equipment for the bleaching plant will cost another million dollars.

Many parts of the mill are designed, not only for the 300-ton mill, but the steam plant and the wood handling plant will do more than the 300 tons a day.

The mill is so designed that it can be expanded easily to a capacity of double the 200 tons intended. The tendency was to lean a little too far toward that capacity for the future. That would have been all right if financial conditions had remained normal.

Q. Your market, of course, will be for sulphite alone?

A. For sulphite; for unbleached, at the beginning, and then for bleached. The tendency is to stay at unbleached, because the market at the present time will be better for it; but as time goes on, I have no doubt the tendency will be toward bleaching again.

This plant was intended as a plant for the best quality of bleached pulp.

Q. That is exportable without any duty?

A. Yes.

Q. With a good market and with fair profits?

A. There is a good market for unbleached pulp right now,—very much better than it was. It has come back, due to European and labour conditions.

Q. Does the newsprint require as much labour?

A. In newsprint, you employ something less than one man per ton daily production,—three-quarters to one. With this thing a 300-ton mill, we would

probably employ close to 400 men in the mill; and then in the woods we would probably have about 300 men employed throughout the year.

Q. There are some considerable liabilities outstanding?

A. Yes, there are liabilities which are a little difficult to measure; some of them are for contracts not yet delivered, and some of them largely delivered.

Q. That \$3,500,000, will it take care of everything?

A. It will take care of all creditors; and the plan we have been working on is with the intention of taking care of all creditors.

I have dealt specifically with the case of Lake Sulphite. I do not know whether I have covered it sufficiently for you, but I am ready to answer any questions.

MR. DREW: Q. Now, Mr. Swezey, start back at the fact that you have explained that you were engaged by Mr. Carlisle, of the Great Lakes Company, to carry out some work in that area. I think it possible, having regard to the discussion that there has been of this whole situation, neither you nor I are in any way ignorant of the comments that there have been of it?

A. Yes.

Q. What was the nature of your employment by the Great Lakes Company?

A. I was to give part of my time,—as much as I could afford,—approximately one-half of my time, towards assisting Mr. Carlisle, without any title, in connection with the Company.

Q. Assisting with what?

A. In the operation of the plant, particularly in connection with the Woods Department.

Q. In a managerial capacity?

A. So far as the Woods Department was concerned. I was simply consulting Mr. Carlisle very frequently. I spent half of my time at Toronto or at the mill; the other half of the time I spent attending to my own business in Montreal.

I made it clear to Mr. Carlisle that I was not giving all my time to it, and that I had to attend to my own business; and he recognized that.

Q. Was that field work?

A. It was largely field work, in regard to the giving out of contracts for the Woods work during the first and second years.

Q. What was the time or period of the employment?

A. It extended from September, 1936, and it lasted for about six months, approximately.

Q. Until about January, 1937?

A. It extended until about February, I think,—up until the time I took on definitely with the Lake Sulphite operations.

It became obvious considerably before that, that my work, so far as Mr. Carlisle was concerned, was nearly completed, because the Woods part of it was in good form and he had appointed a Woods manager, and the mill manager was there.

Q. Is that Mr. Avery?

A. Yes, Mr. Avery I think, was appointed in November, 1936. Mr. Carlisle asked me about Mr. Avery, and I heartily endorsed his appointment.

Q. Is it correct to put it on this basis, that you were engaged about September, 1936, by Mr. Carlisle of the Great Lakes Paper Company, to do work for that Company?

A. Yes.

Q. In a capacity which did not involve all of your time, but was any way for the purpose of giving service to the Great Lakes Paper Company?

A. Yes.

Q. And, while you were working in that capacity for the Great Lakes Paper Company, you did cover some of the territories controlled by the Great Lakes Paper Company on the ground?

A. Yes.

Q. Then it was at that time that you became convinced that the Great Lakes Paper Company had too much territory?

A. It was not that, so much; but I was informed that the Great Lakes were going to lose a good many thousands of square miles of territory that they had inherited, not that had been granted to them; and I said to Mr. Carlisle, "Let us make an application for these." But Mr. Carlisle did not feel that from the point of view of the Great Lakes Company he could go on with that.

Q. Who informed you of that?

A. It was probably public knowledge; it was in the Press and it was well discussed and had been for some months.

Q. Did you get your information from the Press?

A. Yes, and I confirmed it by inquiring from the Department.

Q. From whom?

THE CHAIRMAN: I think your question is, How did Mr. Sweezey know that Mr. Carlisle ———

MR. DREW: Q. How did Mr. Sweezey know it was the intention of the Government to reallocate these limits?

A. I got it from the Press, and it was common knowledge. I do not know at what particular point I became convinced, but it was so that grants of land were going to be taken away from companies.

While I was assisting Mr. Carlisle, we struggled for some weeks to retain much of those lands, knowing in the discussions that certain of those lands were to be taken away from us.

Those areas had already been subtracted from the Great Lakes Company, when I appeared to make a request to have them allocated to the new company.

Q. When did you discuss with anyone that these territories were or were to be taken away from the Great Lakes?

A. Mr. Cox was the first one who informed me about it.

Q. About when would that be?

A. About December, I think. And Mr. Cox was one who strongly urged me to form a company and get these territories reallocated to them. And I told Mr. Cox I was prepared to do that, and I wanted to get a company to which these lands could be reallocated.

MR. COOPER: Q. Had the Great Lakes too much timber?

A. I admit that they had too much timber; but it became a struggle on the part of the Great Lakes Company to retain as much as they possibly could of those areas which they already had. And the more distant ones were released, and the nearest ones were retained.

MR. DREW: Q. Well then, it is correct to say that the Great Lakes were not anxious to give up any of that territory?

A. Oh, no. I don't suppose any company would.

Q. So that while you were employed by the Great Lakes Company an effort was being made by the Great Lakes Company to retain that territory?

A. Oh, yes. And we failed in our effort to retain more than what was finally allotted, which was considerably less than—I think the Great Lakes had something like 10,000 square miles and we were struggling to retain all we could.

Q. When did you first become aware of the fact that the effort to retain all that territory was not going to be successful on the part of the Great Lakes?

A. I was first aware of that at the time that the Great Lakes was reorganized, it was quite evident they wouldn't be allowed to retain all that area without making further developments.

Q. When was that, Mr. Sweezy?

A. Oh, that was in 1935 if I remember correctly. The plan of reorganization for Great Lakes extended over a great many months. It was not as long drawn out as Abitibi but they were parallel with Abitibi at the time and they were both unable to get back on their feet.

Q. Well then, you say that from some time prior to your employment with the Great Lakes it had been obvious that part of the territory occupied by the Great Lakes should be given up, or was likely to be reallocated?

A. Yes, it was very obvious, and it was not a thing that Great Lakes had any great, strong arguments to withstand. I mean, if that was the intention of the Government we didn't have much to say in regard to argument against it, because it was quite obvious they had too large an area for their requirements.

Q. Were you present at any discussions between the Department and the Great Lakes Company—?

A. Yes.

Q. As to the reallocation?

A. No, not the reallocation,—Mr. Carlisle retained counsel for that and went at it in a different way,—although I was present at some of the discussions with Mr. Carlisle and the Minister, and we had to admit that we didn't have much grounds for fighting for more land.

Q. Did Mr. Carlisle then, too, admit they didn't have much ground for fighting for more land?

A. I don't think he ever admitted it to the Department; that wasn't the way to attempt to get more or retain what he had.

Q. You said, "We had to admit?"

A. I should point out that admission was between ourselves in our own discussions. The point was, we were discussing what can we retain out of all of this instead of giving up something?

Q. Well then, when did you first know the exact areas that were to be reallocated as far as the Department was concerned?

A. Well, the reallocation was made without my knowledge, and there was some period between December and the spring when that occurred, but I don't know just when, but the actual Order-in-Council. At least I don't know the date of any Order-in-Council that made that reallocation.

Q. The Order-in-Council was as a matter of fact dated February 26th, 1937?

A. When I was aware that it was made—

Q. I beg your pardon: February 27, 1937. What was that, Mr. Sweezy?

A. I was aware of course that it was going to be done, at least I had knowledge of its likelihood of happening, was about October and November, in discussions with Mr. Carlisle we recognized the inevitable, but I was advising Mr. Carlisle to try and get certain other areas to compensate for that by concentrating more in the vicinity of his own mill, and I think such grant was afterwards made through Mr. Carlisle's effort and retaining counsel to assist him in doing so.

Q. Well, when did you first discuss with any official of the Department the possibility of forming a new company, which would take over the lands or take over the area reallocated from the Great Lakes Company?

A. Well, perhaps I should say here that the reallocation—I was not aiming at any particular lands of Great Lakes, I knew that lands were going to be reallocated, but in subtracting not only from Great Lakes, but from two or three other companies in that district—in other words, the theory was evolved that there should be an entire reallocation of all the mills and that reallocation should take place on a basis to make it more sound than it had been in the past, and it was quite obvious that in that reallocation of all the mills, there would remain certain unallocated areas which would call for further developments, because, now, up to that date obligations to make such developments hadn't been fulfilled—I mean a substantial amount of such obligations hadn't been fulfilled—and it was with a view to participate in that reallocation and fulfilling such obligations that I formed a company to do so, and my incentive arose in further discussions with Mr. Cox at the time, who kept urging me to do it and I saw a good reason for doing so. He wanted me to build a mill at Port Arthur, but unfortunately we didn't do, having received our selections for the watershed of the Nipigon, the obvious place to build a mill was in the watershed of the Nipigon.

I might say, a great many mills in Canada have been built in the wrong place in relation to their timber limits. There is hardly a mill in the direct position to-day, it is either a mile out of position or many miles out of position.

Q. Is the Lake Sulphite in the right position?

A. I believe so; we took a great deal of care and attention to select it by reason of its limits; and that is the reason we wouldn't go to Port Arthur: There was an advantage all right in having a town at Port Arthur, but that advantage was small compared with the added cost of transporting our raw material to that point for manufacture.

Q. Well, did you form the company before you discussed the allocation?

A. No, the company was not formed, I think, until March. We moved very fast, because the underwriting was made by my own firm, and when the

underwriting once started we formed the company, and when R. O. Sweezey & Company did those underwritings, they had the assistance then immediately afterwards of two other firms, who took each a third of our share of the underwriting; in other words, the three firms then had the three-thirds of the underwriting.

Q. Well now, what I would like to get a little more clearly, Mr. Sweezey, is this: You were employed by the Great Lakes Paper Company in some way that imposed upon you the duties of covering certain operations of the Great Lakes Paper Company?

A. Yes.

Q. You were aware that there was under consideration the reallocation of certain lands?

A. Yes.

Q. You then ceased to be engaged with the Great Lakes Paper Company and simultaneously with that almost, you began the preliminary steps in the formation of the Lake Sulphite Company, and the application for lands, a considerable part of which were being reallocated from the Great Lakes Paper Company? That is correct, isn't it?

A. Yes.

Q. Now, you say that at the time you became convinced that with this reallocation there was an opportunity for a new mill . . .?

A. Yes.

Q. You then flew over that area?

A. Yes.

Q. Then, following that flight, was it then you called upon the Minister for the first time in connection with this?

A. I think I saw the Minister with Mr. Cox before that.

Q. When would that be?

A. That would have been, oh, probably just a week or two before that, because I think, after seeing the Minister with Mr. Cox he asked me, "Well, what areas do you want?" "Well," I said, "I haven't figured that out yet; I want to know what areas will be available, and have you settled the question of what areas Abitibi and Great Lakes and Provincial Mills will have subtracted from them?" And I only received an approximate suggestion as to what those subtractions would be. Then I showed Mr. Carlisle a plan of what I thought those subtractions would be, and asked him if he would be interested in coming into a plan—at least, I asked him if he would be interested in joining in a new company that would undertake such developments, and I left Mr. Carlisle a

map two or three weeks before I flew over the area, suggesting what I intended to do and then proceeded to make the examination and came back to Mr. Carlisle after, but, as I say, he had one company to worry about and didn't want to take another one.

Q. I just want to get these times clear, because it is a question of clarifying the method by which this originated in the Department. You were employed with the Great Lakes Paper Company approximately up till the end of January, were you?

A. No, longer than that. I was really active with them until about that time, but Mr. Carlisle, very decently I think, paid my fees up until the end of February or the end of March, I am not sure which is the time, he gave me really a month or two more retaining fee than I had expected; I took that to be in appreciation of the work that I had done.

Q. Well then, if you showed Mr. Carlisle a plan two or three weeks before you flew over the area, that must have been . . . ?

A. That was either in December or January.

Q. Either in December or January?

A. It must have been in January, because I wouldn't have had time to get the thing crystallized in my mind before that.

Q. Have you a copy of that plan?

A. I doubt if I have. I had the plan—Mr. Cox was assisting me on it at the time and I left the plan with the Department and I asked Mr. Cox to put his approval on it so that there would be no question as to the local member's acquiescence in the move.

Q. You say you left a copy of that with the Department, did you?

A. I think I did; I am not positive. Perhaps the Minister can find that up there. I certainly haven't got it, because I have searched for it recently and I recall vaguely that I must have left it with the Department. It is a plan that would be easily recognized because I think I had Mr. Cox's approval on the plan or attached to the plan in the form of a letter, I don't recall which.

Q. Why Mr. Cox's?

A. It was not an approval, it was a recommendation.

Q. Why Mr. Cox's?

A. Well, Mr. Cox was the local member and I felt if he wasn't in step with me he could easily oppose me and perhaps block it. It is much easier to block a thing than to build it.

Q. Do you mean Mr. Cox's recommendation was to the Minister?

A. Yes.

Q. How was that delivered to the Department, by letter or personally?

A. Oh, I carried it up to the Department and left it with them but I don't recall ever getting it back. Mr. Cox was ill at the time and I remember that well enough because I had to see him while he was ill and get his suggestion and approval of it and recommendation—I shouldn't say "approval", because it was a recommendation really on his part.

Q. When you went in to see the Department—now I don't want to be vague about it in any way—?

A. No.

Q. This is a very large area that is involved in this, of presumably valuable timber?

A. Yes.

Q. And I would imagine that the starting point would be some clear survey of the area that was to be occupied. Have you a survey of the area that was discussed at the time of your application to the Department?

A. Well, that map would indicate the various blocks that I applied for on the understanding that those blocks were no longer owned by the companies to which they had formerly belonged. I didn't expect, however, to get all of these things I applied for, nor did I get them all, but I made my application wide enough so that within those applications I wanted a certain minimum to warrant the establishing of a mill; and they were not in one block, they were scattered in several blocks, I had to take the remnants of various left-overs from the others and these remnants were in themselves when you added them all together quite important and quite sufficient to warrant a mill of that size.

I should add further, that included in the area that I applied for there were areas that had never been allocated to anybody.

Q. Yes?

A. There were a good many hundred square miles in such.

MR. SPENCE: Mr. Chairman, it would be very fine if we had that map.

THE CHAIRMAN: I looked at the wall a moment ago and I saw nothing.

MR. DREW: Q. Mr. Sweezey, at the time you applied for this particular area was that application accompanied by a letter setting out the areas that you wanted and explaining why you thought it was necessary?

A. Yes.

Q. Have you a copy of that letter?

A. I haven't that with me but I think I can find it.

Q. I would like a copy of that letter as an Exhibit because that after all was the starting point?

A. Yes.

Q. So far as this matter is concerned—that is right?

A. Yes.

THE CHAIRMAN: What number would that be?

MR. FLAHIFF: 39.

THE CHAIRMAN: Well then Exhibit 39, copy of letter from Mr. Sweezey, to the Minister—?

WITNESS: It must have been addressed to the Minister, yes.

THE CHAIRMAN: To the Minister of Lands and Forests making the application for certain limits in the Thunder Bay district.

MR. DREW: Q. When would that application be made?

A. That was made in February I think, because I flew over the area I think it was the 7th February, and it was immediately after that the application was made. Or I made that—no, I am sure I made the application after flying over, although I discussed and tried to ascertain what areas would be affected in such a grant, and it was a little bit puzzling because you couldn't get any very definite information as to what areas would be but if we made an application then they would consider it.

Q. That, Mr. Sweezey, to be quite frank, is one of the things that I find extremely difficult in connection with it, in the evidence that has already been given, to understand just how this took shape, because it almost seems as if somebody had suddenly had a vision of this being the ideal area required for this new company, and so far I have had nothing that would indicate the exact process by which this particular area became the property of the Lake Sulphite Company?

A. Well, this particular area was the selection because it was all that was left in that region and I was endeavouring to get as much as I could of such an area within the watershed of the Nipigon, and I say the Nipigon included the Nipigon River and the Nipigon Bay, and in searching the map for what might be left if it were necessary, in numerous scattered blocks, among other things I applied for the islands in Lake Nipigon and we were not granted those; I also applied for the islands in Nipigon Bay and they were refused too.

Q. Would those be covered in the letter that you refer to?

A. If they were not covered in the letter they were covered on the map,

because in the letter this map was referred to and blocks A, B, C, D and so on were each of them described with an estimate. Each of those was described as close as I could with an approximate estimate of the concessions, and in arriving at them I desired a certain minimum number of cords in order to assure the continuity of this plan.

Q. Just to try to clarify the procedure a little, you applied by letter for a certain area and that application was accompanied by a map which set out the areas that you desired?

A. Yes. I did not receive the same areas, however, that I applied for.

Q. No, quite. But I am trying to get the starting point in a formal way of this development?

A. I am very anxious to give it to you if I can.

Q. Then as I understand it the first formal step was a letter requesting the allocation of certain areas—?

A. Yes.

Q. —accompanied by a map?

A. Yes.

Q. You are absolutely sure of that?

A. Yes.

Q. And that went to the Department?

A. Yes.

Q. Then did you receive a reply to that by letter?

A. I don't recall a reply by letter, because I was then summoned to explain why I wanted certain areas, and what, and then there were numerous discussions that lasted for days; I was struggling to get something and they were opposing this and opposing that, but finally by compromise we got together areas that we could use. There were, I remember distinctly, two special blocks that I was anxious to get and they wouldn't grant them to me but they said that they would hold them until such time as the operation of the mill warranted their being granted; in other words it was an encouragement to get the thing going and extend itself for that purpose.

Q. Well then, at the time that it was decided what areas would be allocated was a further map prepared?

A. Yes, there was then a map prepared by the Department in which the final grant was clearly indicated and we signed a contract, an undertaking, and deposited \$50,000 with that contract, and at that time when he deposited

\$50,000 that \$50,000 was put up by my own firm and then my firm promptly got to work to form a company and signed up all the necessary documents to put the company in funds and proceed with this work. Within one month from the time we signed the contract we were at work.

Q. Well then, in that case was the original contract with you personally and not with the company?

A. No, that was when the company was supported by the underwritings. In other words the company was not just a shell, because it had already deposited \$50,000. I had expended the money on the preliminaries and the company was also in possession of the underwriting of my firm, that is R. O. Sweezey & Company, plus the R. O. Sweezey & Company in turn supported by the sub-underwritings, and by the end of April the company was in possession of three million, three hundred thousand in cash plus the underwriting for the three millions in bonds.

Q. Now, Mr. Sweezey, if that original map is not available in the Department you would have no difficulty in getting a copy of it, would you?

A. No. From memory I could mark out the various areas even if I hadn't a copy myself, I could make another.

Q. Wasn't it prepared by engineers?

A. No, it was prepared by myself. I am an engineer myself and a timber cruiser, so I made my own maps and preparations and then I—

Q. Well, was the map which you sent with the application—?

A. It was a printed map of the Department but the areas were marked out on it in colour.

Q. You had marked on one of the printed maps?

A. On one of the printed maps, yes.

THE CHAIRMAN: Q. Just a moment. I am looking at a contract, and I think as a matter of fact the whole of page 70, but near the bottom of the page particularly are different areas granted to the Lake Sulphite, and, "The whole of the foregoing territory is herein referred to as the cutting areas, and same are shown outlined on the map attached hereto."

That is the map on which you have spoken, Mr. Sweezey?

A. I beg your pardon, that is the final grant.

Q. No, no, I am speaking of the agreement on the 3rd March, 1937?

A. Yes.

Q. And it refers to a map "attached hereto"?

A. Well, that map that was attached to the agreement was one that had finally been outlined through a series of discussions—

Q. Oh, yes?

A. —and negotiations, but it was boiled down from my original application.

MR. DREW: Q. That is not the original map

A. The original map that Mr. Drew was speaking of was the one upon which I made my application; I didn't receive the same thing but I received a compromise.

Q. Well then, Mr. Sweezey, the agreement was signed and a map was prepared which set out the areas that were allocated by Order-in-Council and which since then have been known as the Lake Sulphite proposition?

A. Yes.

Q. And then a recommendation was made for an Order-in-Council on February 26, 1937, and the Order-in-Council itself was passed on February 27, 1937. In that this was the recommendation by the Minister, "The aforesaid company . . ." (that is the Lake Sulphite Company Limited) ". . . which has been duly incorporated, is desirous of entering the bleached sulphite pulp market and brings with it a sufficiency of capital to insure the full realization of its project?"

A. Well, we were required to show at that time what our financial condition was.

Q. Yes?

A. And we showed that we could produce this capital, due to our underwriting and our ability to dispose of the stock and bonds.

Q. Well, but how did you show that, Mr. Sweezey?

A. I revealed to the Minister the individuals who were putting up substantial sums of money apart from our underwritings—at least under our underwritings, rather.

Q. Well, was-that done in writing?

A. I don't think so. I think I brought in certain individuals and introduced them and said, "Now these gentlemen are with me, and see who they are and look them up and see whether they are men who can undertake a thing like this." There is always some point at which we must start—nobody comes with \$10,000,000 right in his hand, but you show your ability to produce it.

Q. Yes; that is exactly the point that I have in mind, it is a question of considering the exact procedure at that time. The Order-in-Council was based upon the recommendation by the Minister, that this company brought with it a sufficiency of capital to insure the full realization of its project?

A. Yes.

Q. Now what I am anxious to ascertain, not for any purpose of considering the failure, for the time being, of the Lake Sulphite to complete its undertaking . . . ?

A. But as to the method.

Q. . . . but as to what method was taken at that time to obtain that assurance. That is, exactly how did you demonstrate that you were going to have sufficient capital to insure the full realization of the project?

A. By the reputation of the three firms that were underwriting the undertaking, and by the introduction and representations of certain individuals who would join with us, and at the time, to take that still further, had we called for six million six, I mean in other words, double what we had asked for, we could have received it, because our subscriptions were considerably in excess of the amount we had to offer. We were too modest. If we had known that market conditions were going to be as they were eventually, we might have made a much larger common stock issue and got all our money by common stock instead of by bonds. At that time we were only just beginning to recover from the depression, and we didn't know whether the market would be willing to accept six or seven millions of common stock, so in order to be sure, or to be safe, we said, "We will put about half of it in common and about half of it in bonds, issue common stock for cash." As a rule that is an unusual thing, because common stock in the past for these kind of things had been openly sold as water—when I say "water" I mean bonused for a senior security instead—and we made it cash for common stock, and nobody received common stock for nothing—nobody—everybody paid cash for it. Even the six or seven shares that the directors had, they had to buy.

Q. Before we get on to that question of stock which I do want to discuss separately, here is an area of over three thousand square miles being placed under the control of a company which obtained its rights on the assurance that it had sufficient capital to insure the full realization of its project. Now, was there some statement by construction engineers submitted to indicate what the total cost of the project was going to be?

A. Yes.

Q. And was that delivered to the Department?

A. Yes. It wasn't delivered as part of the contract, but it was delivered to the Department, the basis upon which we were going to construct it, how much it would cost, and it is the one which I relied on myself in raising that money. I had engineers' reports that told me: Here is what I think we will do and here is what we can do it for.

Q. And was that left with the Department?

A. I don't recall. I am sure it was in some form or another.

Q. There is no reason for me to disguise that the reason I want a definite

answer to that question is that there is no such analysis of the cost on the files of the Department?

A. Oh, well, it depends how much you mean by an analysis of cost. I mean, we had engineers' estimates and in issuing our prospectus, for instance, in selling our common stock, it was signed by the engineer in charge of the work. The engineer that we had in charge of the work is the engineer who designed the plant.

Q. You mean Mr. Stadler?

A. Yes.

Q. Did you have any statement by Mr. Stadler at the time, that was left with the Department at the time this application was made?

A. Yes, we had Mr. Stadler's estimates furnished to the banking firms, telling us what that would cost for a two-hundred-ton-mill, which was six million and sixty thousand dollars.

Q. Was that estimate left with the Department?

A. I don't recall whether it was or not. It was freely discussed, but whether it was actually left as a copy I don't recall. I don't think so. It afterwards became part of the public issue and it became public information and widespread.

MR. DREW: Q. At the moment I am dealing with a question of procedure, as to exactly what precise information was before the Department at the time the Order-in-Council was passed upon the assurance that this company had sufficient capital to ensure the full realization of this project?

A. Well, I think this, Colonel Drew; the Department at the time were more impressed by the performance in the past of the three companies who were financing this undertaking, and the fact that we had this money and were capable of producing it at the moment the company was ready. The three companies I refer to, and I am not exaggerating one bit when I say this, they have literally financed in the past ten or fifteen years, not less than a couple of hundred million dollars in Canada, so that their capacity to accomplish a task of this size could not possibly be questioned.

MR. COOPER: They were also impressed by the fact that you put up \$50,000?

THE WITNESS: Yes. It is admittedly a small amount, but you rarely do more than that. These sums are a mark of good faith rather than a measure of ability.

MR. DREW: I do not think we can take \$50,000 as being any test of ability to proceed with the mill.

THE WITNESS: Yes, but it shows we are not trifling when we put up that much money.

Q. I do not think anyone would suggest that there was not effort made to

get ahead with it, but before passing from that I would like you to amplify in any way you can, what information you had before the Department at the time the recommendation was made to the Cabinet-in-Council—and I am using the words of the recommendation—that the Minister had been assured that this company came with sufficient capital to ensure the full realization of this project?

A. Well, let me review the matter.

Q. But before I leave that, let me point out that no matter what the reputations of the firms may have been who undertook to put up this money, the fact remains that this company did not have sufficient capital to realize the project.

A. In the end, the same as a lot of other companies have ended, with insufficient capital.

Q. But I know of no case where a company which was supposed to be assured of sufficient capital to realize the project, went into bankruptcy as far short of even finishing the construction of the plant.

HON. MR. NIXON: Q. Did you not greatly enlarge the project?

A. If we did it was not intentional.

Q. You did not have any claim to Nipigon at that time?

A. No, sir. Nipigon was only half a million dollars, and that is a lot of money when you go out and endeavour to raise it. We made the agreement in May, paid the money in June. At that time optimism was still very much in the air, and we felt we would have our mill ready by the following spring, and then we could go on with our extension which we had in mind, because when we came to sell our product, we had arranged simultaneously with our financing, the sale of our product to about 15 or 20 customers in the United States. In a very short time—I would say, not more than four weeks—our sales agents reported 80 percent of the pulp sold, and that if we had more they were ready to go on; what should they do; and we decided we should not sell any more than 80 percent, but keep 20 percent for such customers as we might gain during the succeeding months. With the demand which was growing at that time, we thought we were justified in preparing for an extension, but I had no intention that part of those extensions be included in the current operation.

Q. To get back to that point, before we leave it, I might explain that this Committee is considering the general problem of the administration of the department dealing with forest resources?

A. Yes.

Q. And I am anxious to get as clear a record as possible as to the exact method followed in dealing with this. I do not want to keep repeating unnecessarily, but I am basing my question in regard to this point, on the fact that the Order-in-Council had premised on the recommendation of the Minister, that this company had given assurance that it had sufficient capital to ensure the full realization of the project?

A. Yes.

Q. Was that assurance given in clear written form?

A. Yes, as the undertaking of the firm's finances. We did not reveal the various clients who were putting their money in with us, except verbally. We said, We and Mr. So-and-so, and a number of gentlemen whose financial standing in the country is about as high as possible. I think one or two of the gentlemen in this affair ranked among the biggest men in Canada.

THE CHAIRMAN: Let us make this clear. You say your company had the written assurance of these three firms that they would underwrite the common stock of the Company?

A. Yes.

Q. You told the Department verbally that you expected to get money from certain sources?

A. Yes. And we showed them the underwritings, but we only had the one undertaking. We showed it to them and took it back with us.

MR. DREW: You presented nothing in writing by way of undertaking?

A. No, I do not think that was ever done. There are a number of big undertakings in Ontario, Quebec and other parts of Canada which have been done the same way. I do not think any company starting has ever started out with this money in the bank, but it has shown its willingness to risk its own money up to a certain point, and its ability to raise the balance. We felt that we had amply demonstrated our ability to raise the balance, and the fact that we did not, was due to unforeseen circumstances which we pioneers did not know about. Unfortunately, we do make a mistake on occasions.

THE CHAIRMAN: You had 150,000 shares of common stock, underwritten, \$3,300,000?

A. Yes.

Q. And you planned to secure something like \$3,000,000 or a little less from the sale of bonds of the Company?

A. Yes.

Q. Which would have given you a little over \$6,000,000?

A. Yes. And that would have given us \$6,100,000.

Q. And at that time you estimated that it would cost you, I believe you said, \$6,060,000 to complete the work?

A. Yes.

Q. You mentioned the fact in your evidence, that the passing of Bill No. 5 by the Quebec Legislature had hindered the sale of your bonds?

A. Yes. It did not hinder them in that we did not expect to be able to sell them, but instead of selling them promptly when we sold the common stock which would have been the right way to do it . . .

Q. It delayed the sale?

A. It delayed the sale, yes.

Q. When was Bill No. 5 passed? I think it was at the Session of 1937?

A. Yes. It was passed just about the time we made our issue and it sort of hobbled us. If we had given more careful thought to it, had we been aware that that was going to happen, we might have made a greater issue of common stock and a very much smaller one of bonds, or we might have issued instead of bonds another form of security, but once we had committed ourselves we could not very well go back and ask the shareholders to pass another undertaking to adopt another method.

Q. Bill No. 5 had not been passed by the Quebec Legislature when you saw the Minister?

A. No, it was after it had occurred. It occurred about the same time, if I recall it. In any event the effect of it struck us all of a sudden.

MR. DREW: Q. Dealing with Bill No. 5 for the time being, you spent more than \$3,000,000 on this property?

A. Yes; we spent \$3,300,000 plus \$1,250,000.

Q. And even Bill No. 5 merely required that there should be a value to the property against which the bonds were to issue to an amount equivalent of the bonds to be issued?

A. Yes, but we did not reach that point of expenditure until January, 1938, and then January 1938 was about the earliest date at which we could have, conforming with Bill No. 5, made a public issue of bonds and we were brought to do it. As a matter of fact, the day that the directors were informed of the excess of expenditure was the day that the directors were informed of the excess of expenditure was the day we expected the directors to sign the release of those bonds in conformity with the Ontario Securities Act, and the directors finding that unexpected extra expenditure refrained from signing and said they could not do so, nor could the underwriters under the circumstances find any immediate way of getting around the difficulty.

If we had had more time between that Act and the urgent necessity for funds, I think we could have gone out and struggled for another million or two in another form by increasing our notes, but we were very much crowded between the information we received and the short time in which we had to raise the extra funds.

Q. At the time the application was made and the Order-in-Council was passed approving this agreement, was the assurance of financing reduced to any written form which you submitted to the Department?

A. Yes. We submitted to the Department a copy of the circular which we were going to use in selling our securities and it contained the estimate signed by the engineer of what the cost was going to be. That was supported by underwritings, as I have said.

Q. What I am getting at is that after all we are dealing with a very large territory and it strikes me that the least formality which would ordinarily be expected in any business enterprise of this kind would be to reduce to some written form the assurance upon which this whole matter was to proceed. Was that or was that not done?

A. Well, it was certainly done again and again. Whether it was reduced into a definite form or not I cannot recall at the moment. I think we were more than ready to give all kinds of evidence of what we could do—which we did verbally and in many other ways—but whether it was put exactly in a document, I am not prepared to say. I do not recall.

Q. There was no written undertaking to deposit with the Department by these financial houses to raise this money?

A. No, sir. We showed the Department the undertakings of these houses and the copies of the agreements between them and the company. We showed them the originals of those documents.

Q. But you left no copies with the Department?

A. I do not recall whether we did; I do not think so.

Q. I am not suggesting that you necessarily are to blame for that, but after all human memory may not only be very uncertain but it has also an unhappy habit of sometimes terminating before any of us expect it and my thought is that in a matter of such importance as this that any written assurances upon which realization was based would have been left with the Department. Were they or were they not?

A. I do not think they were left with it. I am positive we showed them the underwritings of the firms. We showed them the originals, but being originals we carried them away with us.

Q. You started with an allocation of land from the Crown and you also bought other property. Is that not so?

A. Yes. We bought the territory of the International Paper Company—in other words the Nipigon Corporation which was owned by International Paper Company—but it was not all the territory which that company owned because in the reallocation of limits they were put down substantially and part of their limits were given to the Great Lakes as compensation for what Great Lakes had taken away in other places. In other words the idea was to give

Great Lakes a concentration of area and it was suitable to take some from the Nipigon Corporation in order to do that. Therefore we took the remnant which the Nipigon corporation had.

Q. That was bought for how much?

A. That was bought for \$500,000. We felt we were making a good buy because we knew that it had cost the International Paper Company well over \$2,000,000. That included a mill, of course—a groundwood pulp mill.

Q. That mill is operating now, is it not?

A. Yes.

Q. That is the mill which is being operated by the English River Company?

A. Yes. It is leased by the Receiver to the English River Company. They have been operating since last Fall. There happens to be a good market for groundwood. They took advantage of it and employed a certain number of men.

Q. You had not estimated the Nipigon area in your original plans—or had you?

A. No. We felt after we got going that we would have liked to put in several other—when the time came, probably over the succeeding couple of years, that we would want to utilize other species of wood on the area and probably produce kraft pulp and soda pulp, to utilize both jack pine and poplar, and that when we got going on these other two the additional area would be very desirable particularly as International Paper Company had quite a comprehensive plan already worked out which we felt we could assume along the same style and profit by. They continued in the east instead of extending any further in the west. When I say “The East”, I mean the Province of Quebec.

Q. Did you buy any other property?

A. No, except millsite.

Q. I just want to get a complete picture?

A. Yes.

Q. You got a certain amount from the Crown and you got the Nipigon corporation. Was any other property bought before the company went into receivership?

A. No.

Q. But you spoke of a millsite?

A. When we started our plan we figured on building nearer the village of Nipigon. One of our causes for delay was that we spent a good many weeks

feeling around for proper foundations. We found the Nipigon area would not give us any foundation even to a depth of 200 feet. Our borings went into the mud and so we had to move practically around the Bay. We got around to the site we finally chose; we did not own that land and we had to buy it.

Q. From whom was it bought?

A. From Mr. Johnson.

Q. What was it purchased for?

A. You mean the price?

Q. Yes?

A. I think we paid a little over \$60,000. I am not positive of the exact figures, but somewhere around there.

Q. How many acres?

A. It was quite a large area. There were about 1,000 acres and we were given a choice of whatever we needed in that thousand acres but what we didn't need we should return to him.

THE CHAIRMAN: I do not want to interfere with the examination of this witness, but we are dealing with a private transaction between a private individual and the Lake Sulphite Company, with which we have nothing to do. After all, the purpose of this Committee is to investigate the administration of the Department of Lands and Forests. Whatever transactions may have been entered into by Lake Sulphite and the other parties, it seems to me, do not fall within the jurisdiction of this Committee.

MR. DREW: There is this about it, Mr. Leduc, that after all we are dealing with a rather unusual situation in which all these companies depend day after day for their continued operation very much on the goodwill of the Department. We have been considering here, for instance, for some days past the very wide powers of this Department to enforce certain arrangements upon the Newsprint Mills in Canada and it does not seem to me that in this industry the ordinary private relationships are on quite the same basis as they are where there is title absolute conferred on the companies who are operating. If the Government is going to interfere in business at all,—and I mean the Department,—it cannot displace itself of responsibility in regard to detail.

THE CHAIRMAN: It seems to me that the Government would have to approve of every step and transaction conducted by a private corporation and I do not believe any one of us wants to go further than that. The Lake Sulphite Company had cutting rights on certain areas which they obtained from the Crown in March of 1937 and later they purchased some cutting rights from the Nipigon Company in addition to a mill. But, I do not believe that it gave them the fee simple to one square foot of land. They have to purchase from some place; either from the Crown or some individual; the site necessary to erect the mill.

MR. DREW: Q. Is the mill erected on this site?

A. The buildings are all erected.

Q. The mill is erected on this site of which you speak?

A. Yes. We have bought the land and we own title to it .

MR. DREW: Mr. Chairman, do you mean by that that the mills in other cases are not built on the land conferred by the Department?

THE WITNESS: This was not conferred by the Department. This is land we bought privately. This was a private deal between ourselves and Mr. Johnson. We did not intend to buy Mr. Johnson's land. We thought we would build closer to the village of Nipigon, but this was the only land available.

Mr. Johnson could have held us up for a tremendous price if he had wanted to, but he was very reasonable and when we dealt with him he was very prompt to meet our desires.

HON. MR. NIXON: Of course there is already sworn evidence on record regarding this transaction. Mr. Johnson gave details of it.

MR. DREW: Is it your ruling, Mr. Chairman, that questions relating to private transactions do not come within the scope of this Committee?

THE CHAIRMAN: I think so, unless it can be linked in some way with the Department, because the purpose of this Committee is to investigate the administration of the Department of Lands and Forests. I do not know how far your cross-examination will go, but I am wondering if you have the right to investigate the affairs of the Lake Sulphite Corporation except in so far as the dealings with the Government are concerned.

MR. DREW: I am only asking for a ruling on it.

THE CHAIRMAN: Well, that is my ruling.

MR. DREW: And the ruling is that no questions can be asked in regard to private transactions?

THE CHAIRMAN: Unless they are related in some way with the administration of the Department.

MR. DREW: Of course I am only pointing out in so far as this subject is concerned, there is intervention by the Department in business activities of all these companies which is something entirely different to any other normal business situation.

THE CHAIRMAN: What do you mean?

MR. DREW: In this way: We have been hearing evidence, for instance, for some days in regard to the control by the Government under its powers hand-in-hand with the Province of Quebec and in that case the two governments have an understanding that they will intervene in the business affairs of the company to the extent of establishing certain fixed limitations on production.

My belief is that the Government cannot step just so far into the business affairs of these companies and say, You do this and you do that and not assume responsibility for going even further and requiring very complete information in regard to all the financial affairs of all these companies.

THE CHAIRMAN That would be a very large order. It would mean, practically, that the Department would have to have auditors in the office of every company all the time.

MR. DREW: That is one thing this Committee will have to decide in its discussion at the end, as to just exactly how far this Government and the Government of the Province of Quebec are going to go into the business affairs of companies, because, at the moment, they are being asked by the companies to go very far in their direct control of the business affairs of companies. I do not want to get away from this point, but I would recall that the whole discussion of this problem, and the examination of the general problem of the forest resources, has risen from the question of how far the Government should intervene in such things as company reorganization, because at the time an attempt was being made to reorganize the Abitibi, an order-in-council was announced which had the effect of apparently being linked up with a certain proposal for reorganization. I believe the whole question of how far this Government or any other government is going to go, in its direct contact with the business of companies, must be one of the things to be considered by this Committee, and personally, do not believe that when governments are exercising a more or less life and death power over all these companies—which they exercise under the Forest Resources Regulation Act—and assume that power, there ceases to be any strictly private transactions on the part of these companies.

THE CHAIRMAN: I cannot agree with that position. I think you are going too far there. This company, like any other company, came to the Government and the Department of Lands and Forests, and made certain representations as to its ability to carry out the building of a mill at the head of the lakes. The Minister was satisfied with the explanation and the assurances given. An agreement was reached which was signed on March 3rd, 1937 between the Government and the company. You have the circumstances which led up to the signing of that agreement, but having signed that agreement, as long as the company lives up to it, I do not see how the Department could very well interfere in private transactions. But the point is—I may be wrong, but in any event, it is my opinion—we were appointed by the Legislature to investigate the administration of the Department of Lands and Forests, not the affairs of any company. If there is anything which would link connection with the Lake Sulphite Corporation or any other company with the Department of Lands and Forests, I would say we have the right to investigate it, but not otherwise.

MR. DREW: We arrive at the point where it is definitely very necessary to have a clear understanding of the matter, believe I have every intention,—or had every intention—of asking questions in regard to the detailed affairs of this company, and in regard to various aspects of the stock transactions in connection with this company. If that is not to be permitted, then of course I want to know, because my intention is and I will explain why I think this is something which comes within the powers of this Committee.

At this very time, according to this information or evidence which has

already been given here, certain negotiations are under way in regard to different properties. I say there is no use reserving this remark until later: I am quite definite already, that I think there was a complete lack of any business-like methods in the handling of the application and approval of the original proposal. I must confess it is beyond my comprehension that some 3,300 square miles of very valuable property be transferred to the control of a company, without any written statement as to the basis upon which the financing should be done, or any written assurance that that financing would be offered, particularly when the recommendation of the Order-in-Council states in these words, "That this company brings a sufficiency of capital to ensure the full realization of this project."

In view of the fact that there is no written detail of that application, in the evidence of the Minister and Mr. Sweezy, they both say that there was merely verbal discussion. Mr. Sweezy says there were written agreements between the parties which were shown to the Department, but neither the originals nor the copies were left with the Department. So far as the files of the Department are concerned, they show no formal application, which explains in detail how the Department was assured that this financing was to be done, and it seems to me, having passed from that point without any detailed information, that if we are to form an intelligent opinion as to how things of this kind can be controlled, we must go into the exact details of how this company carried on from that point. That is my opinion and my argument.

MR. COOPER: Are we not getting pretty far afield? Surely the Government is not interested beyond the conservation and utilization of government forest resources.

THE CHAIRMAN: And the carrying out and effect of the agreement which it has with the Company.

That is my opinion; I may be wrong and the Committee may doubt it.

HON. MR. HEENAN: Q. Mr. Sweezy, your agreement with the Crown was to establish a mill costing a minimum of \$5,000,000, roughly, of the money of Canada?

A. Yes.

Q. According to the evidence you have given this morning you have spent \$4,500,000?

A. We have spent more than that if we include what we owe to creditors.

Q. Did that expenditure of \$3,300,000 and the \$1,250,000, making a total of \$4,550,000, include the purchase also of the Nipigon?

A. Yes.

Q. So that when the Order-in-Council says that you had sufficiency of capital, you put down \$50,000 to indicate the fact you had which brought you close to \$4,550,000?

A. If we had been able to come in for delivery of bonds we would have had an additional \$3,000,000.

Q. You have had large experience in the development and financing of pulp and paper mills throughout Canada?

MR. DREW: I am sorry, I cannot hear.

HON. MR. HEENAN: I am asking him if he has not had large and long experience in the development of pulp and paper mills throughout Canada.

MR. DREW: And long experience with governments also.

THE WITNESS: Yes, I have. The only way of developing the resources of this company is by dealing with governments, unfortunately.

HON. MR. HEENAN: Mr. Chairman, if you are going to let one member of the Committee speak to the Press to get headlines, two or three of us can do that.

MR. DREW: Go ahead.

HON. MR. HEENAN: Every paper mill which I know, which was ever established under the party of which my honourable friend is now the leader, has gone into bankruptcy of the worst kind even after they have been financed.

MR. DREW: I do not know that we are matching bankruptcies at the moment, I point out that we are dealing with Lake Sulphite Company.

HON. MR. HEENAN: The statement he has made now, apparently at length without your interruption, Mr. Chairman, has evidently been to gain more headlines.

The whole statement and the questions asked of the witness are so ridiculous; that the Department or the Government should go into all the private details of the corporation because they made an agreement with the Crown. That shows on its face.

If we have to go into a company, say, making a purchase of a thousand acres of land, and a mill is built, providing you get the endorsement of the Crown, then you will have to go into the purchase of machinery, how much did you pay for your machinery; what is the proper kind of machinery; what is the most efficient machinery; is your architecture the most efficient architecture that we have in Canada, and so on.

The purpose of the Crown is to make an agreement with the corporation to build a mill and our end of it is finished when we allocate the timber limits and when we take the deposit. If the company or person does not carry out the agreement with the Crown that deposit reverts to the Crown and we can resell it or do anything we like with the limits after that.

The words in the Order-in-Council about the sufficiency of capital have been well carried out. There has been \$4,550,000.00 already spent.

MR. DREW: Mr. Chairman, I want a ruling from the Committee as to whether or not I am to be permitted to ask questions in regard to the business affairs of the Lake Sulphite Company.

MR. ELLIOTT: You are asking a ruling as to whether or not Colonel Drew can ask this witness questions relating to the case of the mill site. All this discussion is irrelevant because you, Mr. Chairman, did rule that he could not ask that question, because it never has been suggested that the Department at any time ever interfered to the extent of returning the mill sites of private companies.

MR. DREW: What you said was that you were going to take the position that it was not within the power of this Committee to go into private transactions of the company. I want a definite ruling as to whether or not I have the right to ask questions in regard to private transactions of the Lake Sulphite Pulp Company Limited.

MR. COOPER: Why not rule on all the questions?

MR. DREW: I may ask a series of one hundred questions and have one ruling after another. It is a perfectly proper and normal thing for a ruling to be made on a question of that kind.

THE CHAIRMAN: I do not believe it is within the jurisdiction of this Committee to investigate private transactions between individual companies, unless the Department of Lands and Forests is linked up in some way with it. That is my ruling.

MR. DREW: Yes, but —

MR. ELLIOTT: You have to submit to the ruling; there is no appeal.

MR. DREW: This is not Germany yet.

THE CHAIRMAN: No, but other members of the Committee are here, and if you are not satisfied with my ruling I suggest that you appeal it and not refer to Germany.

MR. DREW: I was not referring to you in that remark, Mr. Chairman; I was referring to a suggestion over here that there was no appeal. I was going to point out to you that I want to know quite clearly whether or not I can pursue questioning in regard to the business transactions of the Lake Sulphite Pulp Company Limited?

MR. COOPER: Does not the Chairman's ruling just bear out what I say? The Chairman, as I understood it, said that you could not ask the question unless it pertained to the Department of Lands and Forests. How are we going to know if it pertains to the Department, unless the question is put first?

MR. DREW: That is exactly the point. My contention is that the Department must assume responsibility in regard to this company.

MR. COOPER: Yes, but one question may be admissible and another one might not be admissible. I do not see how you can make a blanket ruling.

MR. ELLIOTT: I think the ruling has been made, and it is quite clear. You should not accuse anyone of being communistic simply because he disagrees with you. I think it is our duty as members of this Committee to submit to the Chairman's ruling.

MR. DREW: Mr. Chairman, I think the question is perfectly clear, in so far as the business affairs of the Lake Sulphite Company Limited are concerned, following their authority to proceed. All the questions will be upon the same basis. They will either be admissible or not. But it is upon the broad ruling of whether or not it is proper in this Committee to ask questions about the business affairs of the Lake Sulphite Company Limited.

THE CHAIRMAN: But, Colonel, you referred to the fact that the Lake Sulphite Company Limited had authority to proceed. We are investigating the administration of one Department of the Government, the Department of Lands and Forests. They made an agreement with the Lake Sulphite Pulp Company Limited. As far as they are concerned, that is where their own power is ended. In so far as the sale of shares is concerned, I suppose they got their incorporation through another Department of the Government. Once they had fulfilled their promise to this Department they were able to go ahead. As far as the Department of Lands and Forests is concerned everything is contained in that agreement there. I do not believe the Department had the right to supervise their private financing or their private transactions with individuals. Now you asked a question concerning what I believe is a private transaction between the company and private individuals. And I ruled that I do not believe this Parliament has any right to investigate that transaction. And may I say this; if you can show in some way that the Department of Lands and Forests is linked up with it, you have the right to proceed with the examination.

MR. DREW: Mr. Chairman, as far as that is concerned, the only basis upon which an examination of the affairs of the Lake Sulphite Pulp Company Limited can be linked up with the Department is if you are prepared to agree it is within the jurisdiction of this Committee to examine those affairs for the purpose of understanding how far the Department should go in exercising control over that company. Any of my questions in regard to this question would necessarily be on the same basis; they would be private transactions within the company. There is no question about that.

THE CHAIRMAN: I do not believe it is within the jurisdiction of the Committee to go into these matters.

MR. DREW: May I say this just before we adjourn; that I have no intention of conducting any dispute with Mr. Heenan about the method; but I would point out that far from the questions being ridiculous, which I have asked this witness, I have been asking the witness questions in regard to the details of his application, and I have no hesitation in saying that I think it is an astonishing thing that in a transaction as big as this the details were not reduced to some form of writing and the undertaking placed over the signature of individuals and left with the Department in that form.

WITNESS: The agreement signed with the Government, I contend, should fulfill what the Colonel asks.

MR. DREW: No, no, but the agreement does not assure any financing. That company had just been formed.

WITNESS: Does the Government insist on having money in the bank for every undertaking that starts in this country?

MR. DREW: You had better ask the Government.

WITNESS: That is what you are asking.

THE CHAIRMAN: The Committee will adjourn until 2.30.

At 12.30 the Committee adjourned until 2.30 p.m.

AFTERNOON SESSION

Monday, April 29th, 1940—2.30 p.m.

MR. DREW: In view of the ruling this morning, Mr. Chairman, I am not going to ask any more questions.

THE CHAIRMAN: I see that Mr. Heenan is not here. Has any member of the Committee any questions to ask the witness?

Will you please step aside, Mr. Sweezy? Thanks for coming up and giving your evidence.

WITNESS: Mr. Chairman ———

THE CHAIRMAN: Yes?

WITNESS: Since your enquiry is on matters pertaining to limits would it be in order if I made a few remarks about limber limits or the industry, or anything like that, or would that be out of order?

THE CHAIRMAN: No; if you have any suggestions to make we would be glad to have them.

WITNESS: I have been in this business for so many years that I cannot help having views on the industry as a whole and forests in particular.

For the moment, if you glance at Quebec, the daily production of newsprint in Quebec is about 7,200 tons, and the production of newsprint in Ontario is about half that.

One thing to bear in mind is that Quebec's forests are now being operated

to the limit of their capacity, so that further development of the industry, or any enlargement of the industry in Quebec would not be sound because existing mills would suffer therefrom.

Q. You are speaking of Quebec?

A. I am speaking of Quebec. You have got to talk of the two, otherwise you do not know what one industry means in relation to the other. Ontario, on the other hand, is the only one in Eastern Canada that might expand in the industry from the point of view of the forest stands. I am not speaking from the point of view of business; that is a matter of operating. But the Ontario forests are not yet fully utilized, whereas the Quebec forests are.

Q. Let me see if I understand you correctly; that in Quebec the Crown has alienated to companies all the available timber limits?

A. Not only all, but the forests they have left obviously must be kept to support mills already existing on the St. Lawrence river; otherwise they will be out of wood in a short time. So there is no site in the Province of Quebec to-day where you could put a mill and have enough wood to carry on with unless you went into the James Bay slope. That would not be economical nor would there be enough wood to supply a mill.

MR. SPENCE: Do you mean that the yearly cut is more than the yearly growth?

A. The yearly cut is considerably more. There is no scientific forestry practiced in Canada to-day as it is in Europe, or, let me say, particularly Scandinavia. The reason for that is that it costs more to conserve forests, and every mill would have to add anywhere from a dollar to three or four dollars a ton of products to apply the methods of operation that are comparable with the Scandinavian methods.

Q. What have you to say about Ontario? We have quite a surplus, have we not?

A. You have at the present time in western Ontario but not in eastern Ontario. Eastern Ontario is now operating to the full extent of its forest capacity.

Q. The part in the north is inaccessible, is it not?

A. Beyond the height of land, yes. That is not interesting. But that part north of Lake Superior and north of Kenora, let us say, between there and the Manitoba boundary, there is a vast area of undeveloped forest resources.

But now is a good time to begin a method of scientific forestry, before they become too far depleted. As you know, the vicinity of Port Arthur and Fort William has been completely depleted for a radius of about 50 miles. Not only that, but that area up there has some very large spruce, too large, indeed, for pulp and paper, and should be used for lumber. It is costing \$27.00 a thousand feet to bring lumber from British Columbia to the Atlantic coast to-day.

THE CHAIRMAN: You say the freight on 1,000 feet of lumber from B.C. —

A. To Montreal.

Q. Is \$27.00?

A. \$27.00. That is lumber going to Great Britain. At the present time, Great Britain has interrupted to-day a million and a half cords of pit props that used to come from Russia and Scandinavia—I mean one million and a half cords a year. So that she must look to Canada for that supply during the war and probably for some time after the war.

MR. SPENCE: What is that, wood in the raw state?

A. Wood in the raw state. It might be peeled or it might be rough, but it is about pulpwood size.

Q. They manufacture that in England, do they?

A. They use it for pit props in the mines, for coal mining.

MR. W. G. NIXON: That would be taken there from the Atlantic seaboard?

A. That would be taken there from the Atlantic seaboard, and it is a further depletion of these limits which the paper mills are depending on for their future.

MR. SPENCE: That is about the same size in diameter as our pulpwood?

A. About the same size. And it is spruce. It has got to be black spruce in order to have any life. It varies in length from about four to fourteen feet, and the price of it to-day is probably around \$13.00 to \$15.00 a cord on the Atlantic seaboard. Then it costs about \$25.00 a cord to cross the Atlantic under to-day's conditions. It might cost more before many weeks.

Q. I believe that is more than we get out of it for export to the States?

A. That is more than we would get out of it for export. But it is also only a temporary condition.

Q. One realizes it is only temporary?

A. Yes. Our demand, of course, from the United States is enhanced by the fact that three of the most important lumber States in the United States are completely depleted to-day. You take Michigan, Minnesota and Wisconsin—all their forests are practically wiped out. They have had the advantage, however, in that the land has been suitable for agriculture and the raising of dairy products, while ours is not. Only a portion of ours is so suited. Therefore, it behooves us to maintain our forests on a perpetual basis.

You have got to combine three factors, the commercial, the technical and the government co-operating in it, otherwise you don't get anywhere. If you work the commercial and the technical alone you may not agree with the government, and any two without the third is apt to lead to cost without any result.

The forests of the Province of Quebec probably contain 225,000,000 cords to-day. The Province of Ontario has something under 200,000,000 cords, but not far from 200,000,000.

THE CHAIRMAN: What is the annual consumption in Quebec?

A. The annual consumption in Quebec is over 7,000 tons of newsprint—I do not know that I have the figures before me. It is about 4,500,000 cords.

Q. Per year?

A. Per year. That is only for the pulp and paper industry; it does not include the consumption for lumber, nor firewood. Firewood, of course, takes the other commoner species.

MR. SPENCE: Did you make the statement that they used more than double the amount used in the Province of Ontario?

A. The manufactured product is about double the Province of Ontario. But their limits are being worked to too great a capacity. In other words, they are using up more than the natural increment, because you must remember there is fire as well as the axe to contend with.

THE CHAIRMAN: Their mills are not running to full capacity, are they?

A. I beg your pardon. I should say that I am speaking now as to the capacity of the mills in normal times. Those mills will be running to capacity probably within twelve months. They have run to capacity before. But with the export of pulpwood, the annual cut is in excess of 4,500,000 cords.

HON. MR. NIXON: Do you know as to the export of pulpwood itself in Quebec?

A. The export of pulpwood from Quebec is only from freehold land, not from Crown land, because the Crown lands are nearly all owned by existing mills, which could not afford to export it because they need it. Anticosti is freehold, but the cost of operating there is too great.

THE CHAIRMAN: The method of planting these timber limits is quite different in the Province of Quebec than it is here in Ontario?

A. It has been in the past. They would sell you an area at so much a square mile, or sell you the lease, and then there is a premium added to the stumpage. At the present time, stumpages are fairly high in relation to the business, but as business gets better you can probably do better.

HON. MR. NIXON: Do they assess you for fire protection, or are you responsible?

A. The timber limits contribute. The individual contributors are grouped, and they divide the country into districts. Each group of rivers has its own forest protection under a central manager, who is an official of the government.

Then, apart from that, each company has its own little side line for protection. The methods of cutting, of course, and methods of operation, have a lot to do with fire protection.

THE CHAIRMAN: You mentioned the fact that they sold cutting rights at so much per square mile. I do not know that they have sold any of these limits recently.

A. That is a long time ago. There have not been any recent sales in Quebec, because there is nothing to sell.

Q. But in some cases the purchasers paid pretty substantial prices for the rights to cut, did they not?

A. Yes. Some of them held a limit for years for a sawmill operation, then the sawmill end of the business became unprofitable so they figured on going into pulpwood. Then somebody would come along and buy these mills. Already, some of the mills have exceeded their supply of available wood and have gathered up what they could in all directions.

Q. But I want to make this point clear, and you may correct me if I am wrong. All these companies who have contracts with the Government pay ground rent, fire protection charges and stumpage?

A. Yes.

Q. But they do not make any initial payment to the Government before they take possession of their limits?

A. No, because you have this difference, that in Quebec a limit may be acquired under obligation to build. That has been the practice in the past. You may acquire limits and if you do not build, well, you have to pay a premium for the right to hold that. In Ontario, on the other hand, whilst you did not pay a premium for the right to cut, you pay as and when you cut, but you also have an obligation to spend a good many millions of dollars. The increment in spruce forests in Quebec and Ontario is between two and three percent, if the forests were all growing; but approximately half the entire forests as they exist are mature or over-mature, and consequently on these areas there is no increment possible at the present time.

Scientific forestry would call for a method of operating those areas. One of the difficulties the industry has to contend with is the method of operating.

We employ a great many men at a concentrated period in the season, and those men are out of work for the rest of the year. In the old days, in the lumber business, the men were employed in a sawmill and when the logs were all sawn, they went to the woods in the fall and they cut logs all winter. By the time they came back in the spring they were ready to operate in logging. To-day we do not do that; the mill has to run winter and summer, night and day. The men who go to the woods come back from the woods with no work. That means, it is costing us more to employ those men only part of the year than if we employed them all the time.

Therefore, the method of operation should work out on a basis where, instead of carrying a great big pile of wood at the mill, we should work more from hand to mouth between the forest and the mill. With the method of transportation to-day, we are approaching that where we can do it. That is so in the Nipigon area. You have two railroads cutting across timber areas and you have two or three main highways. If much of a pile of wood which you get in one season, could be spread over the twelve months, your men, instead of being in the woods two or three or four months, could be kept there the year around.

On the other hand, that calls for special care in operating in the summer time, because the fire hazard is increased by the number of men you have in the woods in the dry season. All of which is part of a forestry programme such as they use in Scandinavia. But Scandinavia has a big advantage over us in its labour cost, particularly because it has found it worth while to save the forest before it was too far depleted.

MR. SPENCE: The amount they cut is not to be compared with what we cut over here, is it?

A. They cut more. In other words, their yield per square mile is greater than it is here. In the first place, they have to cut it in such a way that immature trees are allowed to continue to grow. They take an over-mature area and cut it and utilize it as quickly as possible and start it growing again.

Trees grow by the accretion of outer rings, so the bigger the diameter prior to maturity, the more volume you get per tree. But there comes a point when that maximum diameter is attained, and at that time you had better cut the tree and start another one growing.

We are not practicing that at all in Canada. We will. We will be bound to. The question is, are we going to wait till it's too late?

In the United States, they have not practised much of that, because many of the areas upon which trees were growing were required and wanted for other purposes. As long as they could get timber and timber products from Canada they didn't need to save their own.

Q. What will you say as to over-mature timber?

A. Well, when it gets over-mature, there are large areas—take in Nipigon and north of Kenora—there are large areas that are over-mature. We can't do anything with it. Conservation without utilization is of no use.

Q. Can you utilize the more mature timber?

A. There are places in Quebec, in Gaspé, where it may be over-mature, but it makes a very poor quality of pulp because it starts a rot in part of the tree and it works upward.

Limits of that kind are not nearly as good as the black spruce areas you will get up around Nipigon, because, despite the fact that the Nipigon areas are over-mature, they stand a long time after they have become mature before they

deteriorate. That does not happen in that part of the country, but where you have a moist country such as you have down near the Atlantic. Deterioration starts due to the moisture. You have a dry country up in Lake Superior and, therefore, moisture does not accelerate the deterioration.

THE CHAIRMAN: Thank you, Mr. Sweezy.

J. FRANK SHARPE, Called and Sworn:

MR. DREW: Mr. Chairman, I should like to have Dr. Hogg attend as a witness in regard to the problem under discussion as to the cost of power.

THE CHAIRMAN: Oh, yes.

MR. DREW: I mention it now because, as I understand it, we have a fairly free day to-morrow, and it might be more convenient to hear him then.

THE CHAIRMAN: Is it the pleasure of the Committee that we should hear Dr. Hogg? (Carried.)

MR. DREW: Mr. Sharpe, what is your official position?

A. Chief Clerk of the Woods Branch, and, by Order-in-Council, Forester in charge of provincial forests.

Q. As I understand it, you have the supervision of the practical problems of control of timber areas, control of cutting and other details of that kind; is that correct?

A. The chief activity of the Woods Branch would be timber sales, the measurement of timber and the collection of revenues; that is, stumpage, ground rent and protection charges.

Q. How long have you been with the Department, Mr. Sharpe?

A. Eighteen years.

Q. And in connection with the work, is the scope of your duties defined by any written memorandum?

A. No, sir; our actions are pretty well governed by the different Acts and regulations under those Acts, as to how we proceed.

Q. There are no supplementary memoranda that would define the scope of your activities in addition to the definitions in the Act?

A. No, sir.

THE CHAIRMAN: How long have you held your present position, Mr. Sharpe?

A. As Chief Clerk of the Woods Branch, since 1935.

Q. Where were you before that?

A. Well, I was with the Department.

Q. No, I mean were you in the field or in the Department?

A. Mostly in the field.

MR. ELLIOTT: In what capacity?

A. As Forester; carrying on inventory work; that is, from about 1922 to 1932 and 1933, there was a consistent effort on the part of the Department to take stock of the forest resources of the province and it was that work I was employed on during that period.

Q. What I want to know is, you have had some practical experience in the field before you took this position in the Department here in Toronto?

A. Yes.

MR. DREW: Mr. Sharpe, when an application is made for the allocation of an area to a company that proposes to carry on business, will you outline from your contact with it the manner in which you are brought into it and the information that is required from you in regard to that application?

A. I think in answering that question we would have to make a division in what we might call the sales of a more trivial character where there is, say, up to \$10,000 worth of timber involved.

Q. Well, I might clarify it. We can deal with the other aspect later but what I have in mind more particularly at the moment is the manner in which the Department operates from a technical point of view in the case of an application for a particular area of timber land. For instance, in the case of the application of the Lake Sulphite Company, how were you brought into that and what was your contact with that application?

A. Speaking from memory, and I think, sir, that it is pretty well incorporated in the evidence—certainly memoranda that were prepared at that time—but as I recall it—there was a map handed to me to work out the approximate quantity of pulpwood that would be found on the particular areas outlined on that map. We get that information from the results of the different forest surveys that have been made. I think in that case practically the entire area had been surveyed at one time or another. Therefore, there is set out for the information of the Minister or the Deputy Minister the quantities of timber involved in this particular application. We frequently make suggestions and try to confine areas as far as possible to watershed divisions. We are probably told either the quantity of timber required or the capacity of the mill that is to be erected; and from that determine approximately how much wood is necessary to operate that mill.

Q. Take the Lake Sulphite as an example; how were you brought in touch

with it; do you keep a memorandum stating that an application has been made for a particular area, and are you then asked to make a report on that application? What is the actual procedure by which you are brought into the picture when an application is made for a particular area?

A. No, I seldom get a memo; it is probably a request either from the Minister or the Deputy Minister.

Q. What form would that request take?

A. It may be handing me a letter that has come in, an application for timber, to make a report setting out the quantities involved, that is usually in the matter of estimates of timber on the area applied for.

Q. Just as a practical matter, how was it dealt with in the case of the application of the Lake Sulphite? Would it assist you if you had the file, or can you?

A. I remember fairly clearly because we went over it at the time here in connection with the Committee, that I was handed a letter.

Q. From whom?

A. I had better not— Yes, it would assist me to have the file. I think it was R. O. Sweezy.

Q. In any case you are not sure we can reserve it and check back on it at a later time?

A. I remember at the time there were two; either Mr. R. O. Sweezy or Mr. Bethune Smith; it might have been one and it might have been the other who signed the letter.

HON. MR. HEENAN: Q. That letter wouldn't be handed to you by Mr. Sweezy, it would be handed to you either by the Minister or ——?

A. Oh yes, I don't want to leave the impression it was handed to me by the applicant; it was handed to me by either the Minister or the Deputy Minister.

MR. DREW: Q. When you get that letter, do you get some written memorandum defining the enquiry you are to conduct, or what are you directed to do when you get that letter?

A. "Tell us how much wood is involved in the area that has been applied for," that is usually the only. That is not written, it is simply asked me.

Q. And do you make a written report on that?

A. Very often it is written out, the report made. In the case of the Lake Sulphite there was quite a lengthy report. Sometimes it is in more or less a rush, and you work it out in pencil and paper and appear with it.

Q. Have you that report on file now?

A. Yes, sir.

Q. From a practical point of view, how do you decide what area is necessary for a mill of this kind? What is the actual procedure within the Department by which you determine the area which should be added to any given mill—and I am now referring particularly, to the Lake Sulphite? I mean just in simple words, explain what happened after you got this letter.

What instructions would you give or what would you do following the receipt of that letter?

A. Simply work out the quantities that were involved in these different areas that were marked on the map.

Q. Well, but what is the yardstick by which you determine what area is required for a mill of this kind?

A. The capacity of the mill itself. That is, in this case it was a two-hundred-ton-mill involved.

Q. There must be some formula?

A. By a simple calculation a two-hundred-ton-mill,—due to the density of our wood, I think we could say that less than two cords will produce a ton of chemical pulp, say one and three-quarter cords to two cords times two hundred times the number of working days in the year,—it would give you approximately one hundred and twenty thousand cords a year if that mill operated to capacity.

Well now, there are simple formulae for deciding the quantity of wood necessary to maintain a mill of that capacity. I mean, if we go to the text-books on the subject, we would probably find about eighteen different formulae, if you have sufficient information to work them out. Our method is about two-thirds of the requirements in now merchantable timber, the other third in growing stuff; that divided by one-half your rotation gives you like the permissible annual cut that we have so often referred to.

In other words, if an area had four million cords now merchantable, we know that that quantity exists on approximately fifty percent of the land area, that has been our experience in surveying the Thunder Bay district, so that there is a similar area that is young and second growth standards, but the area of merchantable is, we will say, four million cords, we will add half of that, making six million cords, and we usually consider one hundred years as about the length of time it takes to grow a spruce tree to maturity; divide that by fifty, it gives you approximately one hundred and twenty thousand cords. It is simply a guide and something that needs to be gone into every so many years, as conditions may change.

Q. Well, is that laid down anywhere as a matter of practical method? I mean, can you go to any place in the Department and say: This is the way in which we arrive at this conclusion?

A. No, sir, as this is, I suppose, just part of our training.

Q. Well now, on Thursday, January 25th, a memo, was read into the record, it doesn't appear as an Exhibit, but it is read into the record; it appears at page 345 and it is headed: "Memo. to Hon. Peter Heenan, Minister of Lands and Forests," and then it points out that this is a memorandum from you, and the memorandum begins in this way:

"This morning, you handed me a letter from R. O. Sweezy, of Montreal, which was addressed to Bethune Smith, of Toronto. In essence, this letter is an application for a quantity of pulpwood sufficient to operate a mill requiring one hundred and twenty-five thousand cords annually. The letter refers to four areas that apparently interest the applicant. In regard to this area No. 1, the Little Pic Watershed, this watershed is estimated to contain 912,000 cords of spruce and balsam, some 205,000 cords of jack pine. I would point out in connection with the Little Pic Watershed, 'that the Department has on file an application from the Pigeon River Timber Company, per E. E. Johnson, to have this area set aside so that the Pigeon River Timber Company could plan for a ten-year operation. (2) Black or Aquasabon River:' (Then an interjection.) 'The Department has no estimate of the timber in this watershed. It constitutes the easterly portion of the concession under lease to the Provincial Paper Company, and which the Company desires to retain for their own supplies.' (And then it goes on in regard to No. 3, Long Lac), "—within the watershed of Long Lac Lake: There is estimated to be 950,000 cords of spruce and balsam pulpwood. This, however, has been definitely set apart by agreement between the Department and the Pulpwood Supply Company," and so on; you go down through these various areas and outside of that one in which you say that there is no survey, you give an estimate of the yield, the cordage yield, of certain types of timber on these areas.

From what source was that information obtained?

A. From information within the Department—our own surveys mostly. You see in 1924 we had the responsibility of estimating the timber reserves of the entire watershed draining into Lake Nipigon. That first area you mentioned, the Little Pic-Steel River country, was cruised prior to the time that it was disposed of to the Great Lakes Paper Company. The Black or Aquasabon River referred to, we didn't attempt to submit any figures on that, it was under lease to the Provincial Paper Company who as far as I know had indicated their desire to retain it. We had our own cruises of both Purdom and Ledger Townships. The Nipigon Corporation area was cruised in 1924 under this Nipigon survey. The same way with the areas farther north all around Lake Nipigon. And it was that information that was used to build up the estimates that are used in this memorandum to the Minister.

Q. Well then, all these are areas which were actually allocated to the Lake Sulphite, those at the end of the memorandum on page 347?

A. The Little Pic, Prairie and Steel, yes.—I am sorry, sir, but I can't identify these by numbers from this memorandum, they are not the same numbers as those on the map there, these numbers don't appear. It isn't worth mentioning, but I mean Little Pic, Prairie and Steel as I know it refers to the easterly portion of what the Lake Sulphite acquired.

Q. Well now, this area which was subsequently allocated was partly taken from the area originally allocated to the Great Lakes Paper Company, wasn't it?

A. On the Great Lakes Paper Company it wasn't an allocation, it was a sale back in about 1916.

Q. Yes, but then there was a withdrawal under the Forest Resources Regulation Act?

A. Yes.

Q. And that was reallocated to this new company. Do you remember being asked to prepare any estimate of the areas acquired by the Great Lakes Paper Company and included in the designation of areas which you have withdrawn from the Great Lakes Paper Company by Order-in-Council under this Act?

A. I am reasonably certain I prepared a memorandum or memoranda on that.

Q. Would you be able to place your hand on that?

A. I would be glad to make a note of that.

Q. You see what I am referring to: Evidence has been given it was generally known at that time that some of the timber area under the control of the Great Lakes Paper Company was to be withdrawn from their control and what I want is any memoranda which would refer to the Departmental decision in that respect.

Let me take as an example some of these other companies. For instance, when the Pulpwood Supply Company made its application what procedure was followed in that case?

A. It would be a similar procedure, but I don't recall any written report. It was the Long Lac survey that we used to determine the quantity of timber involved; I know there were certain areas excluded, the watershed of the Sturgeon River that flows to Lake Nipigon, and certain townships to the east. In other words there were originally 3,400 square miles, which was reduced to 2,600 and something.

Q. What I am trying to understand is this: An application was made there for a very large area involving certain waterways as well, and in that case I would like to know just exactly how you as the official who would be largely responsible for the forestry practice involved, exactly how you were brought into that application?

A. In nearly every instance, sir, it is to give the Minister an idea of the quantity of timber. I mean there is no plan, forestry plan, laid down as to how they will operate. I mean, as far as I understand it the agreement is all predicated upon the Acts and regulations which exist which give -well one

hundred percent supervision over any area that is disposed of. That is, you take a timber license, the Acts are all listed on the bottom of the license as to what operations are subjected to, or what operators are subjected to when they commence to cut.

Q. Is there in the Department to your knowledge any report either by Departmental officials or others which establishes the basis upon which you arrive at the area that a mill of given tonnage requires?

A. No, sir.

Q. You see what interests me is this: From your practical experience, being there some time, you might be able to work this out, but suppose somebody else were called in to do that, is there anything there that would guide someone else in the method by which they would determine the area required for a mill say of 200 tons?

A. Well I think, sir, it is just a matter of knowledge and taking advantage of —

Q. Just a matter of what?

A. A matter of knowledge of different systems used to arrive at it to answer that question.

Q. That is what I am anxious to find out. In an industrial plant if a certain operation is contemplated there are various formulae by which an expert can determine the amount of, say, metal and the amount of other material required for a certain operation?

A. Yes.

Q. What I am getting at is, where does one find in the Department the formula by which an area is fixed that will be adequate for a mill of a given tonnage?

A. I don't think you will find that formula in the Department. I mean I am referring to certain formulae, for instance Von Mantel's formula,—you don't mean that, do you? I mean that doesn't answer your question, does it?

Q. I don't know. I don't know the formula yet?

A. Well then, your merchantable timber plus half your growing stock divided by half your rotation will give you what you are permitted to cut.

Q. And what do you call that?

A. The volume of timber now merchantable plus the volume of immature timber.

Q. No, I am sorry; you used a name?

A. Von Mantel. Certain formulae are very complicated and involve more data and information than we have; therefore we cannot use them.

Q. Is that the formula that you use in arriving at the area required by a mill in the Province of Ontario?

A. Yes.

Q. And in each of these cases has that formula been the basis upon which the allocation has been fixed?

A. Oh, I wouldn't like to say that.

Q. What I want to try to get on record is this: We have here a series of applications for cutting rights over given areas. We are told that these areas were needed for mills of the capacity mentioned in the various applications and subsequently in agreements. Now I am trying to reduce it to an understandable method and to find out exactly how these areas are determined. If you say that the Von Mantel formula is the basis of arriving at the areas granted to any particular applicant then that seems to be an understandable answer, but if you then qualify that as you do by saying it is not necessarily followed then it leaves me at any rate where I was before, that I don't just understand how you do decide just what areas any given company is going to get when it applies. Am I clear?

A. Yes. You are asking, perhaps, questions that are out of my field there. You might take another concession, the English River concession.

Q. Yes?

A. We haven't any work of our own, we didn't do any work on the ground there to arrive at the quantity of timber; yet we believe that there is somewhere in the neighbourhood of ten million cords or more. We believe that from the fact that the whole area has been photographed by the Dominion Topographic Service. We have work in that vicinity and we simply build our estimates. Well, certainly that quantity of timber would be more than is necessary to operate the mill that was intended under that agreement. Therefore I say that the formula has not always been used in deciding whether this or that would be the area.

Q. Well, isn't it so that in at least one large area that you allocated in that way it was found that the timber on the ground didn't in any way correspond to your expectations?

A. In the English River or the Lake Sulphite.

Q. No, the English River? I understood that the timber stand was much less than anticipated from photographs. Wasn't that the finding?

A. Oh, I don't think it has ever been determined; not to my knowledge.

Q. I understood that it had been found that the photographs were rather deceptive as to the actual character of the timber there. You don't know whether that is so or not?

A. No, I don't.

Q. Then I gather from what you say that the evidence that has already been given, that we need extensive surveys of our forest resources, you agree there is still a good deal to do in that direction?

A. I feel satisfied that we know the quantity of timber in the province sufficiently well for administrative purposes.

Q. You think then that the photographs of an area are adequate for the purpose of allocation?

A. Where you are dealing in large areas if you know the extent of timber on an average per acre figure based on information which you may have in the vicinity I think it is sufficient applied to that area. You cannot narrow that down to small blocks of timber—there is no way of compensating. For instance, we know in the Clay Belt that probably the average timbered acre is around thirteen cords; well if you have an idea of the area of that timber and simply multiply by thirteen and it is a fairly large area I think that you will not be very far out.

Q. We have heard a good deal about the desirability of advancing work on these areas because of the importance of cutting the over-matured crop. Have you any reports worked out indicating the areas in which the tree crop is over-matured and requires cutting?

A. Most of our type maps indicate or give a rough idea of maturity.

Q. What do you say yourself about the importance of cutting matured timber and its effect on the forest growth as a whole?

A. Well, I think any forester will recommend that timber once it is matured should be cut; otherwise it goes back.

Q. Then is the decision to cut in certain areas based upon the recommendation of the foresters or based upon the application of the people who want to start cutting?

A. The pulp and paper companies under their agreement are required to file with the Department a plan of their operation. The Department here invariably refers that to the District Forester.

MR. COOPER: Q. Before you leave that question that Colonel Drew was asking about, how you estimated or arrived at the amount of timber, what is the cost of these ground surveys, to make a survey and find out how much timber is on a given piece of property? I don't mean in financing, I mean how do you go about it?

A. Our method?

Q. Yes. When you make a survey on the ground. I think you said that in 1920 or so you made a survey of a certain area.

A. Well, the best method as far as we are concerned is, where first you have photographed the area to get your topographic data, that is the lakes, rivers, and so on. We are fortunate in the Department in having a man who can sketch timber conditions accurately just by flying over the area and simply putting down on a map what he sees on the ground.

Q. Is it an expensive procedure, Mr. Sharpe, to do that?

A. No, it isn't. This photography alone will run around three to three-fifty a square mile.

THE CHAIRMAN: Q. Dollars?

A. \$3 to \$3.50.

MR. COOPER: Q. Is that a ground survey that you are telling us about or a ground cruise?

A. Pardon?

Q. Is that a ground survey where you actually cruise?

A. No. The preliminary work is to locate the timber.

Q. I beg your pardon?

A. The preliminary work is to locate the timber.

Q. I beg your pardon?

A. The preliminary work is to locate the timber and then follow that with ground parties to take samples.

Q. How did you do the Mississauga survey, for instance?

A. That was combined sketching and ground work.

Q. How did the cost run?

A. It was, oh, from nine to twelve dollars. We seldom spend more than two cents an acre.

Q. \$9 to \$12?

A. A square mile.

Q. You don't know the whole cost of that one particular survey, do you?

A. The Mississauga?

Q. Yes?

A. Oh, I would say forty-five to fifty thousand dollars.

MR. COOPER: Thank you.

MR. DREW: Q. Well now, Mr. Sharpe, would you say at the moment that there is a complete inventory of standing timber in Ontario?

A. Sufficient to say to anyone what our forest resources are. But when it comes down to management of areas, no, I don't think we have sufficient information, where you are directing operations as to where they would cut and where they may not cut.

Q. What would you suggest should best be done in those areas?

A. The first thing that has to be done is a plan of the area showing forest conditions. I wonder if I might illustrate that by a map?

Q. Yes, I wish you would, because what you are referring to now is from the point of view of practical operation. You say that there should be a plan of the area?

A. Yes.

Q. So that the cutting could be controlled, isn't that what you say?

A. Yes, sir.

Q. Yes, will you do that?

A. (Witness produces a coloured map): This plan on the wall, sir, is located between two of the Lake Sulphite areas.

It has first been scaled from the air and last summer we had a ground party in there making a careful estimate. Formerly this was held under license to the Abitibi Company who cut over. These hatched areas, the spruce and balsam pulpwood, what we are doing is cleaning up this cut over area. That is being cut by the Central Canada Forest Products. The operator understands now that he will not be privileged to continue into this site, into this jack pine, ninety-two years old. Over here is a stand one hundred and twenty-four years old and this is timber one hundred and forty years old (indicating). We consider it in the interests of the area for him to move his operations and clean up this before he takes any more timber and he is quite willing to work on that basis.

THE CHAIRMAN: Q. Where is the railroad on this map?

A. The railroad is not shown. There is the highway that runs, the Nipigon-Beardmore Highway, through here.

Q. Where is Beardmore?

A. Well, Beardmore lies down in here (indicating).

Q. Oh yes, I see.

A. When he comes to work of that kind our surveys are not in sufficient detail as laid out on that map.

MR. COOPER: Q. Has on all that territory the ground been surveyed to get that information?

A. The ground has been surveyed following the sketches.

THE CHAIRMAN: Q. What does that pink section show right on top of the dark green patch?

A. That is burnt.

MR. DREW: Then, with a map of that type, you can more effectively control the actual cutting to ensure continuity of growth; is that your idea?

A. Yes, sir.

Q. Then, when they go into that area marked in dark green which indicates two areas one of which is 120 years old and the other 140 years old, what method of cutting are they permitted?

A. We permit clear-cutting in there—and it is not on record, but a matter of discussion, that certain seed trees would be left.

In my opinion that area, if we could control fire, it would be well to cut it off and burn it because there is quite a high balsam content.

Q. So that area would be cut clean?

A. Cut clean with the exception of spruce, leaving a certain number of seed trees.

Since this sale is under review, in addition to the price tendered there are certain overriding charges. In other words no matter what a man would tender on that he would pay in addition fifty cents a thousand for spruce or jack pine; twenty-five cents a cord for spruce pulpwood and ten cents a cord for other pulpwoods. That money is to be used in the management of the area. At the end of this season's operations we have \$2,700 and our intention is to try and clean up, by burning, some of the fire hazard which has been created on the area cut over last winter.

Q. When that dark green section is cut, what is the situation to be in regard to the rest of the area you have mapped?

A. It does not matter, because it is of fairly uniform age close south-west of it, from 90 to 100 years.

Q. Then how will you control the cutting in that area? I am now speaking as a matter of actual practice. How will control be exercised?

A. Through the district officer, his staff of scalers and inspectors.

Q. Will there be men in the area ensuring that the seed trees are left?

A. Whatever is laid down, yes.

MR. W. G. NIXON: Q. The cutting is according to regulations?

A. According to the regulations and the conditions of sale. Conditions of sale, of course, affect how operations are to be conducted.

MR. DREW: Q. Who was the purchaser of this area?

A. The company known as the Central Canada Forest Products Limited.

MR. SPENCE: This is a new experiment; it is an experiment or new idea; there is no other area treated like that.

THE WITNESS: We are operating in Timagami in that basis which involves some 5,000,000 or 6,000,000 feet of red pine. I think we have several examples.

MR. DREW: How extensive has been the use of maps of this kind in connection with sales of timber?

A. Well, it is comparatively recent. In the last few years. We started in 1935 in the Timagami section; that is within a provincial forest and comes under the Provincial Forest Act.

THE CHAIRMAN: Q. Part of the area covered in that map is also provincial forest?

A. Nipigon provincial forest.

Q. Nipigon provincial forest?

A. Nipigon provincial forest.

MR. DREW: You speak of tenders being submitted. Were they called for in this case?

A. Yes, sir.

Q. And this cutting is being done for what purpose; for sawlogs?

A. For the production of logs, ties, spruce, balsam, jack pine and pulpwood.

THE CHAIRMAN: Q. Does any mine timber come from that area?

A. Arrangement has just been made, Mr. Leduc, for an operator to go in and utilize certain timber just on the border line.

Q. Because their market is quite new?

A. Yes.

Q. Sturgeon River?

A. Yes, Sturgeon River.

Q. And Northern Empire?

A. Yes. I might say that we have a similar plan in mind for an area of 140 square miles near the north-west corner of the lake.

MR. DREW: Q. You have not gone to the extent of employing maps of that kind in connection with any of these larger companies?

A. No.

Q. Do not misunderstand me; I am not criticizing past practice, but I am merely trying to find out what would be desirable. Would you consider it desirable that this practice be adopted and always subject to funds being available?

A. I think, sir, that there is a chance that the Department might co-operate with the different pulp and paper companies, in the preparation of similar maps. We are just as interested as the company.

Q. In the long run even more so, but when you say "co-operate", how do you mean?

A. By participating in the survey.

MR. COOPER: Q. And by bearing part of the expense?

A. Bearing part of the expense and furnishing part of the men.

HON. MR. HEENAN: Q. Is it not a fact that large pulp and paper companies have their own forestry department?

A. Yes.

Q. Making their surveys?

A. That is true in many cases, yes.

MR. DREW: Q. Mr. Sharpe, has this been adopted as practice, or has it just been done experimentally in a few cases?

A. Well, it is not in general practice, but it is growing, getting more and more popular.

Q. And you think it would be desirable as a uniform practice, if it could be done from the point of view of having funds available?

A. When application is made for timber, there is a pretty careful survey made as to what the actual conditions are before it is offered for sale. If it is immature timber we turn down the application.

MR. COOPER: Q. But the companies make surveys, do they not?

A. Yes; they are making surveys all the time.

Q. And has the Department access to those surveys?

A. They are making surveys more to carry on their actual woods operations.

MR. DREW: Q. Their survey is from a different point of view of that of the Department. Theirs is from the point of view of being able to plan operations?

A. Yes.

Q. Their survey is more from the point of view of having cutting done on such a basis, and yours for the protection of forest wealth?

A. Yes.

Q. That is the difference in the two?

A. Yes.

Q. There is a different approach to it, although I do not suggest the companies have not that view in mind, but have you any recommendation to make as to changes which would be desirable from the point of view of practice, in extending the use of surveys of this kind?

A. No more than that I would like to see more and more of it done.

Q. A subject discussed here some time ago was that of the situation of Settlers' lands, Indian lands, Veterans' grants and Railway lands. In regard to the situation which exists on those various areas where there has not been the same control over cutting, have any surveys been made which would indicate the present situation on those particular types of cutting areas?

A. Not by our department.

Q. They constitute in the total quite substantial area, do they not?

A. I do not know the exact mileage. There are considerable areas of railway lands.

Q. In the case of those railway lands, can you say from the basis of any information on file in the Department, just what the present position is in regard to cutting?

A. No, sir. There are no operations conducted in the province without they get a permit, which is more or less a formality to know where operations are being conducted.

Q. Having obtained that permit, what control is exercised over cutting on that type of land?

A. None.

Q. None whatever?

A. No.

Q. If a permit is obtained, then they can go ahead and cut clean across that area, can they not?

A. Yes, sir.

Q. Have you any surveys in the Department which make it possible for you to say just what the position is in respect of the Settlers' lands, Indian lands, Veterans' grants and Railway lands at the present time?

A. There is nothing on Railway lands or Indian lands. We secured from the Spruce Falls Company, some very good information within the past year, showing the extent of clearing in the claybelt. That is a strip which parallels the Transcontinental Railway from about Fauquier to Hearst and these maps were prepared from figures, and show cleared land and various timber conditions.

MR. W. G. NIXON: Q. The regulations now call for a settler to do so much clearing each year. According to the statutes he is permitted to cut his timber, I understand. He must show so many acres of cleared land and he is allowed a permit to cut additional timber?

A. I think when he first starts in he may be given a permit to cut a certain quantity of timber, but he has to comply with the Settlement duties next summer. That is a Lands Branch matter.

MR. W. G. NIXON: Yes.

MR. DREW: Q. What I have in mind is that large areas have been granted to four different groups, namely, Railway lands, Veterans' grants, Settlers' lands and Indian lands and what I really want to get is first, in the Department at the present time, is there a comprehensive survey showing the situation on those lands?

A. No, sir. The only interest we may have is in regard to what timber may have been reserved to the Crown. On Veterans' grants the Crown has reserved the pine timber and that is the only thing we are concerned about.

Q. How far are those reservations checked in order to see whether or not they have been observed?

A. Well, perhaps just as much as any other Crown area would be checked.

Q. This is what I have in mind: We are considering a problem in respect of the first resources of this province. But there is a good deal of argument from time to time as to whether settlers' lands are really used sometimes for that purpose or whether they are not and as to whether Indian lands are really used by Indians or if others acquire the rights which are conferred or special kinds of

privileges and also whether veterans have done any cutting on some of these Veteran grants and also what rights should be permitted on railway lands. There is something there which requires consideration and it would seem to me in arriving at any conclusion on that matter, it would seem to me it is very necessary that there be information as to the present situation in these four different groups. Would you not think so?

A. I do not know whether I am prepared to offer anything very constructive along that line.

Q. I do not want to embarrass you because I recognize after all yours is purely the technical point of view and it is not for you to express opinions in regard to policy.

A. Practically all the railway lands, while the pine may be reserved to the Crown, there are very few cases wherein pine exists. Take the Algoma Eastern land south of Hearst, it is principally spruce and balsam and species with which the Crown has nothing to do, the same as in private land.

Q. This is what seems to be one of the difficult questions in connection with it. There is a great deal of discussion about whether or not the special rights given in particular cases such as in these four groups which I mention were abused or whether they should be controlled and having regard to the fact, considering the whole question of the administration of the Department which controls the forest resources. What I am concerned with is where does one go to find out what the actual situation is in regard to any one of those groups?

A. I do not think the information exists; it will have to be found out.

Q. You do not think it exists?

A. No. In respect of the conditions on Veteran or Indian lands,—we do not know what the conditions are.

THE CHAIRMAN. Q. Take the ten blocks of land between Fort William and Sioux Lookout which belong to the Canadian National; do you know if the railway has any information as to timber resources of those areas?

A. I would think if anyone had the information it would be the Abitibi.

Q. If anyone had the the information it would be the Abitibi?

A. Yes.

MR. DREW: Is it not a fact to your knowledge that a great many of the Settlers areas as well as Indian lands have been completely cut over by companies which acquired the rights from the settlers or the Indians to those areas? You must know whether or not that is so from your personal experience?

A. I have none. Take the case of the Abitibi Company with its mill at Smooth Rock Falls. They acquired a great number of lots—Veteran grant lots—which they regard as pulp concessions. It is the source of pulpwood; they hold it in their own name.

Q. And in that case subject to statutory regulation and otherwise they are free to go ahead and cut clear. Do you think from the point of view of forestry practice that that is a situation which it is wise to obtain?

A. Well, it just comes down to the control of privately-owned timber.

Q. I do not want to press the point with you, Mr. Sharpe, because it probably involves more the question of policy on which you should not be asked to express opinion, but at any rate you can say definitely that at present there is no accurate or comprehensive survey of the situation existing on Settlers' lands, Indian lands, Railway lands and Veteran grants?

A. Not that I know of in the Department.

Q. Do you know of any other place they would exist?

A. The only other place would be the holding company.

THE CHAIRMAN: Q. The Abitibi has the cutting rights on this land between Sioux Lookout and Fort William owned by the Canadian National?

A. Yes.

Q. And they also have some cutting rights on the Algoma Central land?

A. The Algoma Central Railway lands, yes; they have a ninety-nine year lease or something —

Q. Are there any other companies interested in railway lands?

A. Yes. I cannot give you their names, though.

Q. There is one company which controls the lands formerly granted to the Algoma Eastern?

A. Up near Gogama.

Q. Yes?

A. They are land-holding companies. I have heard their names but I cannot remember them.

Q. Trans-Continental, or something?

A. That is the Hearst area—Trans-Continental Timber Company, but there are land-holding companies up around in the Sudbury district.

MR. COOPER: Q. What about the Pine Land Timber Company; it got some of the old grants to the Algoma-Eastern?

A. That was under the Canadian National. I think that area was a timber licensed area to the Canadian National.

MR. DREW: Q. Mr. Sharpe, in the case of cutting from these four groups of lands which I have mentioned, they must obtain a clearance before they can export; is that not so?

A. Yes.

Q. How do they obtain that clearance?

A. Through the District Officer.

Q. What information must the District Officer have?

A. Simply assurance as to where the timber is cut—providing it is exportable, of course.

Q. But you are aware that there is a very large amount of export from those lands?

A. Yes, sir; there is some; I would not like to say how much.

Q. It is a very substantial amount which is now coming from those particular lands. Let us get the actual practice.

Where they are exporting they must get a clearance and what is the actual practice by which that clearance is obtained?

A. From private or Crown lands?

Q. Private lands. I am talking about lands which are under private control.

A. He applies to the nearest District Forester and takes his affidavit as to the quantity he is exporting and from where it has been cut.

Q. Then, is there any inspection conducted to determine whether or not cutting is being carried on in that area?

A. Inspection is carried on quite often in the summer-time through the ranging staff.

Q. Then the clearance is given, at any rate, merely on the affidavit of the person exporting?

A. Yes, sir.

Q. Have you had any occasion to find out whether there has been any abuse of that privilege?

A. Well, I know there are occasions—they are rather trivial—where they will get over their land on to Crown property. If they are caught the penalty is imposed.

Q. If they are caught, you say?

A. Yes.

Q. Is it not a fact that cutting has been carried on in such a manner in the neighbourhood of a larger centre such as Fort William or Port Arthur in a way that it is necessary to go back some distance now for merchantable timber?

A. Oh, yes. The cutting has been very active around these centres.

Q. Do you think that is sound forestry practice?

A. I think it is pretty well tied up with land settlement.

I just had occasion the other day to look into an application of a man who wanted to operate another sawmill in the vicinity of Fort William. I think there are already 76 little mills in there, so we did not give him any encouragement. But, that is what follows, often, near a centre like Port Arthur or Fort William. Settlement gets in around there and a lot of little industries spring up which soon depletes the area of its timber.

Q. Is it not a fact that by permitting cutting close to the larger centres we have gradually increased the cost of timber very considerably?

A. Oh yes. The nearer your timber is to where you are going to use it, the less costly it will be.

Q. Looking back at the picture, would it not have been very much better—I only ask this question having regard to what may be done in the future—if the method of cutting had been enforced which would have distributed the cutting over a large area?

A. Oh, I quite agree with that but I also realize that to do that will require considerable extension in the way of roads and means of access to timber.

Q. Is it not a fact that if you permit clear cutting close in you gradually increase the cost of timber to a point where it may become uneconomic to have it delivered?

A. That would be a very gradual process because you are making your improvements just ahead of you all the time.

THE CHAIRMAN: Q. Otherwise you would have to make all the improvements the first year?

A. You would have very costly improvements to get to the back end of your watershed to start with which of course is essential if you are going to cut timber when it matures—at the proper time. All these areas will have to be accessible.

MR. DREW: Q. You have grants now on a large number of watersheds which go in for some distance. Is not the tendency to cut—and it is a very natural tendency—nearer the mouth of the watershed, fairly clean and keep on moving slowly back?

A. That is the common practice.

Q. Would it not be better practice to cut an average cut over the watershed even though the price is higher now? Would that not maintain a physical average of price?

A. I think it would be and it would be in the interests of the forest, but whether or not it is economical, I do not know. I have no cost figured as to what is actually involved.

THE CHAIRMAN: Q. I do not want to ask you this question in view of what you have just said, but perhaps you can answer it. Do these operators not pay for their improvements out of the profits they have made the preceding season?

A. Presumably so, yes.

Q. So if they had to make most of the improvements the first time to get access to the furthest corner of their limits they would have to make a very considerable capital investment to start with.

A. It would be very heavy, yes; and it could be quite heavy.

Q. Pardon?

A. It could be quite heavy.

Q. But the cost of those improvements would have to be charged yearly against the price of the lumber?

A. Yes, sir.

Q. I mean the interest on the money invested and the depreciation, when I say, "cost"?

A. I understand that.

MR. DREW: Q. How do you actually indicate to the companies what they may cut?

A. In the case of pulp and paper companies, for instance?

Q. Yes? Take the pulp and paper companies for a start?

A. There is always a formal application made by the company, accompanied by a plan showing where they intend to operate.

THE CHAIRMAN: Q. When do they make that application; at what time of the year?

A. In August and September for the winter operations, and usually in March for sap-peeling operations.

MR. DREW: Q. And what is your method of checking the cut?

A. The head office—it is very much a matter of formality—if everything looks reasonable they sanction the operation, but it is then referred to the District Forester, and he is given the privilege of objecting or sending in any further recommendations. It is up to him to keep track of things on the ground.

Q. How far do you check, for instance, as to the size of trees which are cut and so on?

A. Well, only through the District Officer. If a company wanted to cut an immature stand of timber, he has the privilege of saying, No. That does not get back through here again to any extent.

Q. Has that been fairly well enforced up to the present time?

A. Well, we have no reason to doubt it. I could not say. Perhaps we need more staff to enforce a lot of those things than what we have.

Q. I am sorry; I do not hear you?

A. I say, we might need more staff than what we have, to enforce a lot of these things and to carry them through.

Q. Do you feel there is any part of the situation at the moment which requires an increased staff?

A. I would like to see a larger field organization.

Q. What is that based on?

A. Trained men.

Q. What is that?

A. Trained men.

Q. Have you anything to do with fire control?

A. No, sir.

Q. Or fire protection?

A. No, sir.

Q. Under whom does that come?

A. Mr. Mills handled that until he enlisted the first of December—Mr. C. R. Mills,—under the Deputy.

Q. Who handles it now?

A. Just a short time ago they turned it over to Mr. Brodie, to look after the head office work—Mr. J. A. Brodie.

Q. He handles the head office work of fire protection?

A. Yes. The only place we are involved in protection is where we incorporate special clauses into conditions of sale dealing with protection, which we have done in quite a few instances, requiring operators to burn bush.

Q. Can you tell me of the present regulations regarding the cutting of timber on mining claims?

A. Well, that is governed entirely by the Mining Act.

Q. What is that?

A. That is governed entirely by the Mining Act.

We have to remember two dates; that is, 1869 and 1918. Prior to 1869 all timber went with the patent. Between 1869 and 1918 all timber other than pine went with the patent. Since 1918, the patented owner of a mining claim has no right to any timber, but it is required in the Mining Act that where timber is provided for the development of the property, the Minister of Lands and Forests can authorize them to cut that timber. If it is to be cut for resale, it is treated the same as any other commercial operation and regularly offered for sale.

THE CHAIRMAN: Q. Or if it is cut for use as fuel, the mines have to pay the stumpage and other charges only?

A. Yes.

MR. DREW: Has there been any occasion to prepare a report in the Department on the cutting of timber on mining claims, as a separate report?

A. No, sir.

MR. SPENCE: Some of it is exportable.

THE CHAIRMAN: That would be the old mining locations, about 65 or 70 years ago.

WITNESS: I would say that in claims staked out and recorded prior to 1918, it would be exportable the same as privately owned land.

MR. SPENCE: Is there a check-up on each limit by your scaler? Does he report the size of the logs and the shape of the timber cut?

A. Oh, yes, that is how we fix our charges.

Q. That is how you know your revenue; whether there are so many cords of balsam, and so on?

A. Yes.

MR. DREW: How are the scalers paid?

A. So much per day.

Q. Who pays them?

A. There are two systems. The Department pays them, the Government pays them. But in sales made, I would say, from about 1903 one-half the scaler's wages are charged back to the licensee. On the old lump sum bonus sales the licensee pays 100 percent of the scaler's wages. That is charged along with the timber account.

Q. Are there any regulations so far as the Department is concerned that the operators must take care of the board and lodgings of the scalers?

A. There is no place you will find that in any of the Acts or regulations. There are letters that have gone out from the Department over the signature of the Deputy Minister requiring licensees to provide suitable board and lodging.

Q. Does that prevail extensively?

A. If the accommodation is not suitable, our men are privileged to get lodging if there is any available, wherever they like, and we charge it back to the licensee.

MR. SPENCE: Have the scalers a license?

A. All scalers measuring Crown timber have to have a license.

MR. COOPER: You have a system of check scaling, have you not?

A. Yes, all the scaling is check scaled as well.

Q. I beg your pardon?

A. All the timber that is measured by a scaler, there is a check scale goes with it.

Q. Are all the scalers appointed by the Government?

A. Each year,-yes.

DR. WELSH: Under examinations each year for scalers?

A. Not each year; depending on our requirements for scalers. If we are getting short, we may have several examinations scattered here and there over the province.

Q. Are they usually resident scalers, or have you a supply of scalers?

A. A lot of our men are resident in the district in which they work.

MR. DREW: Is there any question in your mind about the wisdom of having scalers partly paid either directly or indirectly by the licensees?

A. I do not think I could give any answer to that.

MR. ELLIOTT: Scalers usually work in pairs, do they not?

A. Except in the measurement of pulpwood. With timber they always work in pairs.

MR. SPENCE: As a rule these contractors obtain a bush scale, and is that estimated on the scaler's scale, your men's scale or—

A. The bush scale could be the scale by the Department's own men. We furnish the scale to the operator as soon as we know it.

MR. DREW: Having regard to what you have already said about reports in the Department, I do not know how far you can go on this, but, as I understand it, the grants made to the railways some time ago had as part of their purpose the idea of placing settlers in that area. Now, is there any report in the Department from which we can ascertain what results if any have been achieved in that direction by the grants made to the railway companies?

A. Oh, yes, I think that could be furnished to you. I do not know of any settlements on railway land.

Q. You what?

A. I do not know of any settlements on railway land unless it would be the town of Sioux Lookout. I believe it has been blocked in very close to it.

Q. So that generally you do not know of any settlers—

A. I do not know of any settlement on railway lands.

THE CHAIRMAN: You have in mind cultural settlements?

MR. DREW: Oh, yes.

Q. Have you considered whether it has yet reached the point of being practicable to go to the extent of marking trees for cutting as they have done in the Scandinavian countries?

A. I think there are places where we could do it and should do it. I hope we can do it in that area that we referred to on the map a short time ago.

Q. You think it would be a good practice?

A. Yes. We are doing that in Timagami with pine. We are marking trees on all the reserved areas along the highways, around lakes and portage routes where we consider they should be cut.

Q. Well, always having regard to the question of departmental expense, would you consider it a desirable practice to be adopted generally?

A. The forest itself decides that.

Q. What?

A. The forest itself pretty well decides how you should handle it.

Q. I do not understand what you mean.

A. The forest itself, I think, dictates its own policy.

THE CHAIRMAN: You mean according to the age of the trees?

A. You wouldn't serve any purpose by marking jack pine, for instance, because jack pine does not scatter seed; it will only release its seed when it is subjected to heat. Spruce, it is a different matter—white and red pine. We know that by removing the fire hazard that we improve the natural reproduction in white and red pine stands and leaving seed trees. And the trees that we are leaving are trees that are of no particular interest to the operator; they are obviously defective and if cut down would be left on the ground, in all probability, or else they would produce a very low grade of lumber. So they are being left standing, and I think we are getting results.

THE CHAIRMAN: We will adjourn until to-morrow morning at 10.30. We are now going to have a private meeting of the Committee to discuss the length of the inquiry and so forth.

At 4.30 p.m., Monday, April 29th, 1940, the Committee adjourned until Tuesday, April 30th, 1940, at 10.30 a.m.

TWENTY-SEVENTH SITTING

Parliament Buildings,
Tuesday, April 30th, 1940

Present: Honourable Paul Leduc, K.C., Chairman; J. M. Cooper, K.C., M.P.P.; Colonel George A. Drew, K.C., M.P.P.; A. L. Elliott, K.C., M.P.P.; Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P.; F. R. Oliver, M.P.P.; F. Spence, M.P.P.; Dr. H. E. Welsh, M.P.P.

MR. SPENCE: Before calling witnesses, there is one matter to which I would like to refer and which seems to me to be very important.

To date, we have had practically all those interested in the timber resources, with the exception of the settlers or farmers of northern Ontario. They contend that there is certainly something vital and of great importance to them in the timber policy of the province. I do not know of many organizations up there, but I do know of one in Thunder Bay—the Municipal League. They have had

an organization for some twenty years, started by Judge Dowler twenty years ago. There are two representatives from each township in the Thunder Bay district. They hold spring and fall sessions; one session at Port Arthur in the spring and one session at Fort William in the fall. They have had their session this year.

The matter was brought up, and they have telephoned me that they are going to send down a representative. The unfortunate part of it is that the farmers and settlers are not able to finance it. I do not know, but I would like to see the Committee finance it. I think it is in the interests of the members of the Committee and the Government that we have their side of the timber question as to just how it affects them—the policy—and what they can do.

HON. MR. HEENAN: Well, Mr. Spence, are they not in this position: You speak about the settlers in northern Ontario, but you really mean the settlers in the Thunder Bay district?

MR. SPENCE: Yes, but I think it would be the same in all parts so far as the timber policy affects the settler or farmer.

HON. MR. HEENAN: I cannot see any objection, except that there are a good many settlers' organizations throughout northern Ontario. It is very questionable as to whether or not the present policy, while it affects one body of settlers in the Thunder Bay district in one way, it affects the settlers in their own parts of the north in just the opposite way.

Then we have a number of workers' organizations. For instance, there are resolutions which I have been getting for a number of years. Take the Trades and Labour Council in your own district; the Trades and Labour Council at Fort William are opposite in their timber views. The Trades and Labour Councils at Fort William and Port Arthur are only six miles apart.

MR. SPENCE: Less than that.

HON. MR. HEENAN: If they could only get together on the timber policy, it would be of some value. There has never been a request to me, but there is the intimation, "We cannot afford to pay our way down, and we think this Committee should find some ways or means of paying our way down, in order that we may present our position to this Committee." And I have thought that, rather than run into that and listen to the different views of the different parts of northern Ontario, it would be better if they were to send in some kind of brief.

MR. SPENCE: I thought of resolutions. On phoning last night, evidently they would like to come down here and present their views to the Committee.

HON. MR. HEENAN: Let me give you an illustration and you can decide what you are going to do:

The Trades and Labour Council at Port Arthur are in favour of exportation of pulpwood, because they are interested in it and make their living in it, but the Trades and Labour Council at Fort William—less than six miles away—are opposed to it because they are making their living in wood. That is one case.

Then the settlers up in the clay belt, around Hearst and one thing and another, could not live unless they cut wood and export it. The settlers at Fort William and Port Arthur say, "If you cut out the exportation from Crown lands we will sell more from our settlers' lands." So, we could sit here for almost a year listening to it, and we would not know any more than we know now.

THE CHAIRMAN: We would probably have different points of view from different points in Ontario.

MR. SPENCE: My point is, that as it is important and vital to them, they should not be left out of the picture altogether. We have had everyone else representative of the timber business except settlers and farmers. They are the pioneers, and most of them are being accused of being timber or winter farmers and they have some rights. I grant you, this municipal league may be only one of the organizations up there.

MR. ELLIOTT: I think there is a lot of merit in what Mr. Spence is urging, because the regulations in existence now covering the disposition of lands to settlers have been in existence for a great many years. Roads have opened new territory, people are trying to make a livelihood in different localities where full agriculture cannot be had and it might well be that some change can be made in the policy of regulations in the light of what we might hear, which would be very beneficial in the administration of the Department.

DR. WELSH: Along that line, take the area down in the northern part of eastern Ontario where they are still trying to carry on perhaps in a much similar way, they have a really acute economic problem, and I would certainly like to have someone from that area brought in to present the picture and show the necessity, not only for reforestation, but to complete the picture as far as their economic situation is concerned.

After all, in the northern part of Hastings, that is all they have to depend on. Really the poor people depend on certain operators for their very existence. There is no organization or anything like that, but I have in mind a couple of men, Mr. Rollins of Coe Hill and Mr. Gunter of Princess Lake, now in South Renfrew. I do not know whether or not they would be prepared to pay their ways up here.

THE CHAIRMAN: You will have men from all areas in the north and some from eastern Ontario. You will sit here for another couple of weeks, and we will have to pay the expenses of all those men. I understood that to-day we were going to hear witnesses deal with the administration of lands. They are available; suppose we hear them first? We have witnesses from the Department who will be able to give evidence as to the administration of land as distinguished from forests. Suppose we hear them first?

MR. SPENCE: I just wanted to bring that matter up.

THE CHAIRMAN: But suppose we hear them first?

DR. WELSH: Yes.

MR. ELLIOTT: I would like to move, seconded by Mr. Oliver, that all regulations issued pursuant to any Act for order-in-council governing the sale or

disposition of lands by the Department, be produced as exhibits. This resolution is in the regular form.

THE CHAIRMAN: It is moved by Mr. Elliott, seconded by Mr. Oliver, that all regulations issued pursuant to any Act or order-in-council governing the sale or disposition of lands be produced as exhibits.

HON. MR. HEENAN: For any particular kind?

MR. ELLIOTT: I think they are all available. They have them in printed form, and send them out in general regulations and there are some special regulations regarding summer resort properties.

THE CHAIRMAN: You have in the motion "pursuant to any Act for order-in-council." I believe, as a matter of fact, in most cases regulations are made by order-in-council.

MR. ELLIOTT: That is so. Probably it is not worded correctly.

HON. MR. HEENAN: What I mean is, is there any particular date—that is back date—or for all times?

MR. ELLIOTT: I do not think there are very many of them. I am referring to the general regulations, of course.

THE CHAIRMAN: You mean regulations in force at present?

MR. ELLIOTT: Yes, such as the regulation regarding the sale of summer resort properties.

THE CHAIRMAN: You mean lands as distinguished from forests?

MR. ELLIOTT: Yes.

HON. MR. HEENAN: Suppose you put Mr. Ferguson in the box and ask him what we have and all that sort of thing.

MR. ELLIOTT: I think we should have the regulations before us, and if they are in printed form they can be handed to the members of the Committee. It would then be an easy matter for us to discuss the question of the regulations, and the procedure which now governs the sale of different land.

THE CHAIRMAN: Suppose we adjourn consideration of this motion until Mr. Ferguson is in the box, and we can then find out what there are and they can be produced?

HON. MR. HEENAN: I will call Mr. Ferguson now.

ALLAN FERGUSON, Sworn.

HON. MR. HEENAN: Q. Mr. Ferguson, how long have you been in the Department?

A. Since December, 1915.

Q. Since December, 1915?

A. Yes.

Q. Were you in the public service before that?

A. No, sir.

Q. 1915 was your beginning?

A. Yes.

Q. Have you been in the one Department all the time?

A. Yes, sir, in the one department since 1915.

Q. What is your title now?

A. Assistant Deputy Minister.

Q. Of lands and forests?

A. Of lands and forests, sir.

Q. Assistant Deputy Minister of Lands and Forests?

A. Yes, sir.

Q. You have heard what Mr. Elliott asked—a few minutes ago—with respect to regulations by order-in-council. Are they readily available?

A. No. I could have copies manifolded and present them for to-morrow's sitting.

THE CHAIRMAN: Q. For the sitting to-morrow?

A. Yes.

MR. ELLIOTT: Q. You have regulations in typewritten form which you send out with applications?

A. They are not really a copy of the regulations; they are just a summary. I will give you exact copies.

THE CHAIRMAN: Mr. Elliott desires that the Department produce all regulations issued pursuant to any Act or order-in-council governing the sale or other disposition of lands as distinguished from forests. Is that right, Mr. Elliott?

MR. ELLIOTT: That is right.

THE CHAIRMAN: Q. So, can you collect all the regulations and file them?

A. Yes; I will try to have them ready for to-morrow.

THE CHAIRMAN: They will be Exhibit No. 40.

EXHIBIT No. 40—Filed by Mr. Ferguson: Regulations issued by the Department of Lands and Forests concerning the sale or other disposition of lands.

THE WITNESS: I might say that I have copies of most of them here if you would like to work in them this morning, but I have not enough to distribute to the Committee.

MR. ELLIOTT: Yes. I would like to see them, Mr. Ferguson.

Q. You have to do with both lands and forests?

A. No, sir; principally lands; almost entirely lands.

Q. Mr. Draper is the chief clerk of the Lands Branch?

A. Mr. Draper is the chief clerk.

Q. And he supervises in the main a large amount of the work having to do with the sale and leasing of lands?

A. He does.

Q. The files and records in reference to the lands of the province are kept here at the Parliament Buildings?

A. We have a central filing system in the Department.

Q. You have a central filing system in the Department and all applications are made directly or indirectly to be disposed of in the Department?

A. Files are disposed of, yes; file rulings made, yes.

Q. In other words, the administration is centralized in the Department at Toronto?

A. I would say so.

Q. Has that always been the case?

A. During my term in the service it has.

Q. I believe there was a time when the files and records were kept at district offices years ago?

A. Not to my knowledge.

Q. Not to your knowledge?

A. No.

Q. Would I be correct in saying that there was a duplicate system where the records were filed at the district offices?

A. No, not to my knowledge. The agents still have filing systems. Each agent has a filing system and copies of all instructions and rulings from the Department.

Q. Of records coming to their hands?

A. Yes.

Q. They have not the original records?

A. No.

Q. There used to be an established district officer who has been abolished. District offices in various parts of the province have been abolished through the years where there were Crown Timber agents, as they were called?

A. I am not just sure about that question.

Q. There used to be Crown Timber agents with offices in various centres of the province and there still are but lots of them have been abolished for some few years?

A. The service was consolidated.

Q. Pardon?

A. The service was consolidated.

Q. That is, lands and forests?

A. There was a readjustment of field administration.

THE CHAIRMAN: Q. But you closed some of these offices. I remember we used to have a Lands and Forest office in Ottawa some twenty years ago. You must have closed some of those offices?

A. We had a Crown Timber agent in Ottawa.

Q. Named Mr. Knowles?

A. That is the gentleman.

Q. But that office was closed?

A. Yes, that office was closed.

Q. And there are probably some others in the province which were also closed?

A. There was a general readjustment of field administration.

MR. COOPER: Q. There used to be a Crown Land office and Crown Timber office, but now—

A. They are amalgamated; that occurred in several agencies, yes.

MR. ELLIOTT: Q. As a matter of fact, as a result of the lands being cleared the work decreased greatly in reference to the timber branch in certain parts of southern Ontario. I understand your Crown Timber offices used to be very busy but that the work decreased a great deal because there was a decrease in timber operations?

A. Well, I have nothing to do with timber. I could not speak of that.

Q. Of course you are the assistant Deputy Minister and you have been in the Department long enough to know whether the work has decreased in reference to the administration of timber branches in southern Ontario?

A. In southern Ontario?

Q. Yes?

A. Yes; naturally it has, because there is not the extent of lumbering operations there were years ago.

Q. There has been a very great increase during the years of applications having to do with lands for summer resort purposes, cottages, hunting camps and so forth?

A. There have been, yes; the tourist trade is increasing.

Q. And it has been steadily increasing?

A. Yes, has been.

Q. As the result of the development of our roads in many cases opening new territories?

A. Considerably.

Q. Pardon?

A. Considerably owing to the construction of roads opening up the territory.

DOCTOR WELSH: Q. Can you give us an idea of the number of applications per year?

A. For summer resorts?

Q. Yes?

A. I can tell you the number of parcels I have disposed of year by year by looking up the annual reports. I was thinking of the farming lands. I have them here. I have not the summer resorts; that is, I have not them before me now.

MR. ELLIOTT: Q. Are they shown in the Annual Report?

A. They are, yes.

Q. Have you it with you?

A. Yes, I have.

DOCTOR WELSH: Q. Does it also show the amount of revenue?

A. It does, yes.

Turn to page 65 of the last Report, Mr. Elliott. Oh, I do not think you have the last one; that is the year before.

MR. ELLIOTT: That is 1939?

A. Would you like 1939?

Q. What have you there? Can you answer the question?

A. Pardon me?

DOCTOR WELSH: Q. My question is as to the number of applications and the approximate revenue?

A. For summer resorts alone?

Q. Yes, for summer resorts.

A. I have not them totalled, Doctor Welsh; I have them by sections and districts. Algoma, Cochrane, Essex, Haliburton and various districts of the province. I have not the grand total here.

THE CHAIRMAN: Q. What about page 67?

A. I have on page 67. It is given here.

Q. Approximately 198.956?

A. Yes.

Q. That is the number of acres sold?

A. Yes.

Q. On page 69 the total acreage of lands sold and patented is what?

A. Number of acres sold 213,949 and number of acres patented 259,61.

MR. SPENCE: Q. During the year?

A. That is one year.

MR. ELLIOTT: Q. 213,949, and what is the other figure?

THE CHAIRMAN: 199 roughly; 198,956.

Q. Those are the lands sold?

A. Under summer resort regulations. That is sold.

MR. COOPER: Surely that is not for the whole province?

THE CHAIRMAN: Q. Generally speaking the policy of the Department is not to sell those lands?

A. In the older settled parts we have no objection to selling; in the more isolated and distant parts of the province—the newer parts—we prefer to lease.

DOCTOR WELSH: Q. Why do you adopt that policy?

A. There are two reasons in my opinion. One is the consistent revenue year by year, and the second is that the province still has control of the land.

MR. COOPER: Q. Is it not a fact that a man does not feel like putting a very big investment into a property unless he has title to it?

A. Some feel that way. We have not made tremendous objection to them.

MR. ELLIOTT: Do you sell island lake lands to some and lease to others?

A. Not generally speaking.

Q. But you can and you do?

A. Yes.

Q. You can do that?

A. Yes.

Q. And you do?

A. We do occasionally.

Q. Who exercises the discretion as to whether you should sell a particular individual land or lease the land?

A. Myself, as a rule.

DOCTOR WELSH: Q. For how long is the lease?

A. Mostly license of occupation.

THE CHAIRMAN: Q. On page 71 of your Report, Appendix 14, I find in reference to licenses of occupation, Mines 58 and Lands 368. Would these licenses be for summer resort purposes?

A. I think that would be for everything, Mr. Leduc.

Q. For everything?

A. Yes; that is for everything.

MR. ELLIOTT: Q. What basis do you use in order to determine whether you should sell or lease a particular individual land?

A. My practice is to consider just generally, how much Crown land we have in the immediate vicinity. If there is a nice block of Crown land and none of it disposed of, I naturally hesitate to sell and prefer to give a license of occupation.

Q. On what estimation do you base your finding?

A. On our office plans.

Q. Any other estimation?

A. Our land rolls if necessary.

Q. With that system, I think you agree that you might sell a piece of land this year to one man, and next year refuse to sell another individual land and compel him to lease it. That happens?

A. No, not generally. We might offer a man a license of occupation, but if he has a bona fide reason for sale to him we are open to consider selling. It is not a hard and fast rule.

Q. I know it is not a hard and fast rule, but do you not think that leads to discrimination in favour of or against certain individuals?

A. No, sir; absolutely not so far as I am concerned. So far as I am concerned there is no discrimination whatever; they all look alike to me.

Q. It leads people to say and to believe that the Department is discriminating in favour of or against certain individuals?

A. Probably.

MR. COOPER: Q. Which is the most expensive; to hold the license of occupation or the lease?

THE CHAIRMAN: To the public or the Department?

MR. COOPER: To the public.

THE WITNESS: Our minimum price for Crown land, if we sell, is \$5.00. We may go as high as we wish, consistent with the value of the land. \$5.00 an acre.

DR. WELSH: Q. Who gives you this information and who values the land?

A. In many cases we ask the local officer to inspect and put a valuation on it. With others, occasionally, in order to have the cost, we are guided by what we sell in adjacent parts of the forests.

MR. ELLIOTT: Q. In reference to the fixing of price, both for leasing and for the sale of land for summer resort purposes, do you take the position that on certain lakes there are certain lands available for sale, and you fix the price on the basis of so much per 100 or 200 feet?

A. It is on an acreage basis.

Q. We will say the public wants to buy it on the frontage basis. They do not as a rule buy land by the acre for summer resort purposes; they do not want 100 or 200 feet frontage?

A. Our regulations are based on the acreage basis.

Q. But the applications are not based on the acreage basis. I see many of the applications stipulate that the applicant wants 100 or 200 feet frontage, as the case may be?

A. If he wants 100 feet frontage he has to take 200 feet in depth. The frontage cannot be shorter than possibly half the depth. We compute the price on the acreage basis, not by the footage.

Q. Do you fix the price if there is certain tourist development on a lake uniformly for all the land on the water?

A. No.

Q. Suppose a man makes application to purchase land with a frontage of a 100 feet, you have told us you arrive at some basis for determining the price, having regard to the information in your hands or reports from the district officer, but if someone else goes to buy land adjacent to him, on what basis would you determine the price the next man would pay?

A. If we are in doubt, we would probably send the inspector in to look at the parcel and fix a price. On occasions, we have fixed the price by judging what we charged for contiguous or adjacent forest.

Q. I am informed that some times you charge the second man not what you charged the first man the previous year?

A. The previous year?

Q. Yes.

A. I have no knowledge of a similar case.

Q. Were you ever increasing prices?

A. We are increasing from time to time. As the value of the land goes up, the value is increasing.

Q. If one wants to determine the amount he would have to pay for a location on a certain lake how would he find out what he would have to pay?

A. The individual?

Q. Yes?

A. By writing to the head office of the Department.

Q. And would he be told what he would have to pay?

A. If we knew we would tell him, yes. If not we would have our inspector look it over on application.

Q. That price might not be the same as obtained on another lot?

A. Probably not.

Q. And if he had a friend coming from another city in the United States and he made application for a lot, his price might still be different?

A. It might be, yes. What I mean by that, Mr. Elliott, the shore line might vary; one might be high and rocky with no beach, another might have a good beach and good boathouse site.

Q. I am going to suggest there are cases where you increase the price probably the following year—if a man makes application and he builds a cottage and somebody comes along the following year, you will increase the price?

A. No, I wouldn't say we would.

Q. Do you say you never have done that, Mr. Ferguson?

A. No, I wouldn't say that I know of a case.

Q. Where you charge a man \$50.00 for a certain amount of land, and as the next year comes around somebody would make application and you ask twice the amount?

A. I would have to know the case. We probably had a reason.

Q. We will not give the individual case?

A. No.

Q. Under the system you have employed now to fix prices that could happen?

A. It could, yes. I mean by that, Mr. Elliott, no two inspectors or no two cruisers or no two individuals have the same conception of the value of land.

Q. I don't think that cuts any ice at all, Mr. Ferguson; I have reference to lakes where the lots are adjoining and similar areas where there is little difference. Don't you think, Mr. Ferguson, that you would promote the sale of lands if you had a survey made of the lakes—I don't mean an Ontario Land Surveyor's plan, but if you had a report made on the lakes and then you fixed the price, that people would have to pay for lots one hundred or two hundred feet frontage, as the case might be—they might vary slightly, having regard to other locations on the lake?

A. Yes.

Q. And then people making application would know in advance what they would have to pay for a lot?

A. We do that, Mr. Elliott, repeatedly, where we subdivide the shores of some of our principal lakes.

Q. But where you haven't got them subdivided—there is only a very small percentage of the land available if it is subdivided?

A. I feel myself, we would be quite prepared if there was any lake suggested to our Department that it would be possible to look over for disposal, we would be glad to do that.

Q. Don't you think you should do that in other cases?

A. An extensive plan?

Q. I don't say a plan, but just to get a report upon the lakes, so that you could advise the different officers and people generally, what they will have to pay for cottage sites?

A. It has its good features, yes.

Q. Why I say that, Americans come over to Ontario, they have friends with cottages here, they might negotiate with some settler or builder to erect a cottage, but they can't find out what they will have to pay for a lot?

A. If any member has any particular lakes in any particular township in his riding, I think I am free to say that we will be glad to inspect the lake generally, and fix a general price.

Q. Well then, Mr. Ferguson, I am just pointing out that under the system you now have, it leads to charges of discrimination, although there is no basis for it; at the same time, if you had a rigid policy, then the people would all feel they were being treated alike, and it would also save getting valuations in every case?

Isn't that so? Wouldn't it save many reports and inspections and determining the prices when each application is made, if you had fixed in advance the price to be charged?

A. It would save a great many inspections.

Q. Then, Mr. Ferguson, I understand that oftentimes people make enquiries as to what they might have to pay for a lot, and then you have an inspection made and report—that is your practice, isn't it?

A. Yes.

Q. And then in a great many cases they don't buy when you advise them the price, isn't that so?

A. I won't say a great many, no. There are occasions when they are not interested when we mention the price, but I know of very few cases where they declined to purchase because they thought our price was too high—very few.

THE CHAIRMAN: Q. What would be the maximum charge for a cottage site of say, one hundred feet frontage by two hundred foot depth?

A. I would say our average price, Mr. Leduc, is \$25.00 an acre, for our better lands, some bush on it.

Q. So that for a plot of land size 100 x 200, that would be a little less than half an acre, that would be about \$12.00 or so?

A. Yes.

DR. WELSH: Q. Is that in northern Ontario or the northern part of southern Ontario?

A. I am speaking of northern Ontario. That applies in the northern part of southern Ontario, near Hastings.

Q. I think that is very low, because I happen to know of a site where the original price was \$200 an acre and now probably a hundred dollars. I think you are low?

A. \$200? .

Q. Yes?

A. Where was that?

HON. MR. NIXON: Hastings?

DR. WELSH: No.

WITNESS: The only place I ever sold—

Q. It wasn't sold; it is a hundred dollars an acre now?

A. I asked a hundred dollars an acre for one particular parcel of land I have in mind and I sold it, but our general price is twenty-five or thirty dollars an acre, or average—set average price.

Q. Have you any idea of what percentage of accessible sites, that is bearing in mind the road conditions and so on, are surveyed at the present time? Do you just wait until there is a demand, or have you those sites surveyed?

A. In a few parts of the province we have determined on sites along the shore line; generally speaking the responsibility of filing a plan of a parcel rests with the applicant, we don't make a general practice of going into all sections of the province and surveying the lakes.

THE CHAIRMAN: Q. Speaking of the north country, northern Ontario, you have applications for summer resorts on hundreds of lakes, haven't you?

A. Yes.

Q. And it would cost a terrific amount of money to have the areas around these lakes surveyed?

A. It would, yes.

Q. In some cases you would have to survey square miles of territory on account of one application being made by a prospective purchaser?

A. Added to that, Mr. Leduc, if we subdivided around these various lakes, after we had spent several hundred dollars in surveying we would find maybe we would sell two parcels in two years.

I might mention in passing, gentlemen, when I said an average of twenty-five or thirty dollars, our minimum price is \$10 an acre.

DR. WELSH: Q. The lease in southern Ontario is year by year, isn't it?

A. A license of occupation year by year at the pleasure of the Crown.

THE CHAIRMAN: Q. There are no rights of renewal in a license of occupation?

A. No sir.

DR. WELSH: Q. Don't you think that offers certain restrictions for sale or opening up? People may think they have only got it for a year even though you do carry it on year by year and they are very hesitant to erect any cottages because of that clause, particularly Americans? •

A. Dr. Welsh, a license of occupation is from year to year at the pleasure of the Crown but in twenty-five years' service I have never seen one cancelled if the occupant ———

Q. No, I grant you that.

A. A great many were thrown up. If the occupant carried out his part we have never cancelled.

Q. I suggest that you have lost the sale of a considerable number of sites because of that and because of the delay. You take a person who applies here and there is a lot of delay in securing those parcels of land, finally they give it up. Don't you think it would be better if for example the District Forester would have some record of those parcels of land, with the parcel numbers and so on, so that he could negotiate direct? Wouldn't it bring a lot more people here, with families, and more business to the locality?

THE CHAIRMAN: There might be some obstacle there. You see the lands of the province are in one common fund in which both mines and forests participate and the District Forester who is far away from the records might very well sell a piece of land which has been staked out years before by some mine.

WITNESS: Our local agent, Dr. Welsh, would not have the land register, he would not be in a position to know definitely whether there was any adverse claim or any prior application, and various features of that kind.

THE CHAIRMAN: There would really exist necessity for all the records to be sent to us because otherwise we might find some difficulty.

MR. COOPER: Q. Is there any way a man can take a piece of land under license of occupation and be assured for at least a few years that the rental is going to remain the same?

A. Mr. Cooper, we have in a great many cases started a man on a license occupation basis and after three years, or say five years, if he had built a habitable or substantial dwelling or made a certain investment we converted that into either a long-term lease or a sale.

THE CHAIRMAN: Q. But there is no proviso to that effect in the license of occupation?

A. In some there are.

Q. That is, you insert there a clause giving him the right to a patent or to a lease, provided he does certain things within a certain time?

A. In a certain time; we will sell the property. I am not speaking only of summer resort parcels.

MR. COOPER: Q. What I was interested in was this, to know whether a man could go on a piece of property under a license of occupation and be sure that his fees were fixed for a certain period of time, so that he would know he would not find the rental jumped up on him next year when he had put a certain investment on?

A. We would be very glad to arrange with him in such cases.

Q. Do you charge increasing amounts on that lease of occupation from year to year?

A. No. We have issued some of five-year periods, stipulating that at the end of a five-year period we would review the price, the Minister would charge what he felt fair.

MR. ELLIOTT: Q. On some lakes you are charging certain persons \$5.00 on annual license, probably another ten and another one fifteen, on the same lake?

A. I have no particular case in mind where that practice is followed.

Q. Sometimes there is a little development and you are charging a person who wants a cottage site \$5.00 a year; well then the Department will have the idea, and properly so, that the land is more in demand there, and then in two or three years, if people come along, they will charge them \$10.00 a year. Isn't that so?

A. Possibly.

Q. And then you may even raise it in some cases to fifteen, where they make application?

A. Well, possibly.

Q. And you would be in the position there, that persons in possession of cottage sites on the same lake are paying varying amounts for rental? Is that so?

A. I have no particular case in mind.

Q. I am not pointing out particular cases, but I think you ought to understand that to be the case?

A. It is possible, yes. We endeavour to create a revenue, naturally, yes.

DR. WELSH: Q. What is the maximum number of acres that you allow in summer resorts to one person?

A. A summer resort applicant is entitled to five acres. If in the opinion of the Department it is not advisable to subdivide, that is to say, you want a boathouse site, we might let you have up to ten acres.

DR. WELSH: Q. Do you have a position anywhere in the province where someone has bought up the available sites? I am thinking particularly of Jacques Lake a few years ago, I haven't been there lately?

A. I understand the whole shore line is taken up mostly by one lady from Pittsburgh.

Q. How does that come about?

A. The original owner obtained the land under agricultural regulations, got his patent for farm lots and subdivided.

Q. That shuts out anybody who desires to go in there?

A. It would if he got his patent for the hundred acres, maybe two hundred acres—I mean, he gets a patent he may subdivide, we have no strings on him.

THE CHAIRMAN: Q. You said something a moment ago, I wondered if I understood you correctly: Did you say that the license of occupation was given for so much per year?

A. So much per annum.

Q. And then every five years you have the right to revise the price?

A. No, that wouldn't be on license; that would be on a lease.

Q. That would be on a lease?

A. I noticed that myself.

Q. For instance, you take a man who applies for an island in, we will say, Lake Timagami, and he gets exactly five acres and would like a lease for five years?

A. A five-acre island.

Q. That has been done, hasn't it?

A. We would, yes.

Q. You fix a price on that. How much would be the price in Timagami for instance, approximately?

A. Timagami is not on five-year lease; I didn't know you meant Timagami. Timagami is twenty-one-year lease.

Q. But in some other lakes you make a five-year lease?

A. If he wished a five-year lease we would, yes.

Q. I don't suppose many people would insist on a five-year lease?

A. Probably I could clear it up this way, make myself a little clearer: We would probably make a twenty-one-year lease with the option of revising the rentals at the end of every seven-year period.

Q. At the end of every seven-year period?

A. Yes.

Q. That is my point.

A. Yes.

Q. You take this man who leases an island for twenty-one years on Lake Timagami . . . ?

A. It is a definite price.

Q. Of so much per year?

A. Yes.

Q. But every seven years you have the right . . .?

A. Not in Timagami.

Q. On certain lakes, then, you reserve the right to revise the rents every seven years?

A. Yes.

Q. Supposing you charge \$10.00 or \$25.00 for the first seven years, the man goes ahead and invests a large sum of money building a summer cottage, boat-house and so forth, in seven years you have the right to charge him ten times what you were charging him the first year, is that correct? I am not saying you are doing it, but again you have the right to do it?

A. It would be, yes.

Q. Do you think that encourages people to build expensive cottages?

A. I think I had better clear that just a little, Mr. Leduc: We have gone into a seven-year period in Crown leases; it is very rare on summer resort parcels, it is more where a man applies for a lease for other purposes.

Q. What other purposes would he want a lease for?

A. Well, we have had cases I assume where a man wanted lands for development along, we will say, reforestation, that is he is going to plant trees, and it is really his land, he is going to plant trees, erect a home—you could call it a cottage I suppose if you like—but he is going to live there and beautify it.

Q. And after seven years you have a right to increase it?

A. We could, yes.

Q. Do you think that would encourage him to spend a lot of money in reforestation and building himself a nice home?

A. Well, I think it would.

THE CHAIRMAN: You think it would. Well, I wouldn't.

MR. ELLIOTT: Q. Reverting to Dr. Welsh's point, he suggested it would facilitate local development if the district foresters had records showing the prices that would be charged for cottage sites, the officers in the district. Do you think that would be a good move?

A. Have an inspection made?

Q. No, but have a record showing the amount that would be charged for cottage sites on the various lakes? For instance, we will take in North Hastings where some cottages are developed and others that will be developed because of a new road put in there just a year ago. If the district forester at Tweed — or I think they have an office at Bancroft too, haven't they—?

A. Yes.

Q. If the man at Bancroft, the nearest place, had a report showing what would be charged for cottage sites on the lake, either for rental or for sale—?

A. It would have its advantages, yes.

Q. Because I presume when people come up there and are familiar with the lake they would like to find out readily, probably on their week-end, what it would cost to buy a property, and it should be generally understood by the people in the district what they would have to pay?

A. It would have to be more or less on a sliding scale if it were not subdivided.

Q. No, it is not subdivided?

A. Well we would be safe in saying twenty-five to thirty dollars an acre, whatever it was, would that be all right? There would be no two parcels alike.

Q. You could increase the price or decrease the price as the case may be on a part of the lake that was less or more desirable, there would be no objection to that?

A. I see no objection to his selecting some of the prime lakes and establishing a more or less general price. You couldn't actually tell without making a very close survey.

DR. WELSH: Q. Don't you think in that way you would create and facilitate the taking up of land and increase the summer population there in that district? I know that many people have come there, interested, and inquired, and it took so long that they just gave it up and forgot about it on account of the red tape?

A. Yes, no doubt there are persons anxious to know what it would cost to have a summer home on a particular lake, they are attracted by its beauties.

MR. ELLIOTT: Q. And then if a person wanted to buy property on the lake where it is not subdivided, and you have had very few subdivided in central Ontario having regard to the available land for sale, what procedure has he to go through in order to acquire a property, say a lot 122 x 130 feet?

A. Where there is no subdivision.

Q. Where there is no subdivision?

A. He makes a regular application to the Department.

Q. And then what happens?

A. If we have no idea of the value we ask our local man to place a value on the parcel; we notify the individual what it is worth and require him to file a survey or sufficient description to establish the parcel.

Q. How long would it be before he would be advised of the price?

A. That is a hard question to answer.

Q. Well, would it be a month or two months?

A. It would probably be a month.

Q. Probably be a month?

A. Yes.

Q. And sometimes longer? Wouldn't it be sometimes longer?

A. It has.

Q. Then you require him to file a plan of survey for or the description of the property before you can issue him a patent?

A. Yes.

Q. And that might cost him in some of these lakes a very substantial sum to get the survey out?

A. It might.

Q. Far more than the cost of the lot?

A. No, I wouldn't say. Well yes, in some cases more than the cost of the lot if it is a small parcel.

MR. ELLIOTT: Well then, my understanding is from what I know of the situation that nearly half of the people when they learn they have to file a plan of survey don't go ahead.

THE CHAIRMAN: Who should make the survey?

A. The individual.

MR. ELLIOTT: I am not asking that; I am just asking if that is not your opinion, that when people are asked to furnish a plan of survey at least half of them do not go ahead and do it.

A. No, I cannot agree with you.

Q. You cannot agree with me?

A. No.

Q. Am I right in saying that, having regard to the time it takes for you to arrange for a survey at certain times of the year when surveyors are not available, particularly in remote localities, it is often six months or a year before a man completes his survey and obtains his patent?

A. Do you mean that owing to the delay in the Department handling his application it is six months, or adding to that the time it takes him to put in his survey?

Q. The time it takes to get his survey and waiting on his patent is six months to a year?

A. The sale is carried out when he files his plan. The plan is not asked before issuing the patent, it is before we carry out the sale. We sell the parcel when he has filed his plan, and he has eighteen months in which to build a habitable house. Then he gets his patent.

Q. That does involve a lot of correspondence with the applicant, particularly if he does not understand the regulations of the Department. Half the people do not read carefully about the necessity of filing surveys, and so forth, and what they have to do to get a survey. Consequently the average application strings along for six months to a year from the time a man first writes you about it until he gets his patent. Is that not so?

A. The average would be. That is due principally to the fact we are waiting for him to erect his building. It is not a delay of the Department.

Q. I am not saying whether it is a delay of the Department or not. You have told us it takes as a rule a month to be advised of the price. Then he has to have the property surveyed, and, when he has sent you the survey, how long is it before you prepare a description and approve of the sale in writing until the property is sold?

A. Oh, say another month.

Q. The point I am trying to make is this, Mr. Ferguson; that from information I have received people, particularly Americans who only spend a matter of two or three weeks up there, or probably a little longer, if they could go to a builder in a place like Buckhorn and find out from him what it would cost to buy a lot and be assured they would get title to it in a matter of two or three weeks, a great many more of them would build; that the length of procedure is an obstacle which prevents them going ahead and building and negotiating the purchase of a property. Would it not be much more desirable if they could get title in a matter of two or three weeks?

A. Naturally, it would. It would take an enormous staff to accomplish that.

HON. MR. HEENAN: Is this not a fact, Mr. Ferguson; that when an application is received in your Department for a summer resort you have to go through the records to find out if someone else has not leased that same lot?

A. Absolutely. There is a careful search through our rolls and records to find if there is any adverse claim or prior application.

Q. If you have many applications in at the same time, it takes some time to lease a particular one?

A. Absolutely. There may be 100 applications ahead of that one.

HON. MR. HEENAN: I was just trying to clear up what might be the cause of the delay.

ME. ELLIOTT: Often times these Americans write you from cities in the United States, sometimes they write you from a place where they are staying in Ontario while here in the summer time, about land for sale; is that not so?

A. Yes.

Q. And Americans write you from various points in United States, also sometimes from points in Ontario when they happen to be here in the summer time?

A. Yes.

Q. And as a rule do you not find that the Americans, also settlers and people living in remote localities, do not seem to understand intelligently the regulations of the Department? I have examined the correspondence and it is quite apparent that you have considerable difficulty in explaining to people what they have to do in order to conform to the regulations of the Department.

A. No, I can't say it is difficult. It is very simple. The regulations are clear.

Q. We will go on from there, Mr. Ferguson. You have in existence some regulation or enactment or statute which provides that there must be a road allowance of 66 feet around every lake; is that not so?

A. Yes.

Q. What statute is that?

A. It doesn't require a road allowance around each and every lake. In surveying, more particularly at the present time, when we do survey a township we provide that road allowance. And it is provided in a great many of the old surveys, but not in all of them. The general practice is to provide a road allowance for public purposes.

Q. In many cases, you have road allowances provided in plans where there can never be a road, where there are rocks?

A. Yes.

Q. And rough formations?

A. Yes.

Q. And you know very well that while road allowances are provided on the plan, they could not be employed as roads; is that not so?

A. Absolutely.

Q. Then, if a person buys a property with the understanding that he must build a cottage costing so much within six months or eighteen months, as the case may be, do you permit him to build on the road allowance, or do you consider, if he built on the road allowance, that this is in compliance with your regulations?

A. It is contrary to the regulations and any building erected is entirely at their own risk.

Q. If a man makes application and pays you \$200.00 for a cottage site, and then he goes and builds a cottage on the road allowance, would you refuse to give him his patent, because he has not complied with the regulations regarding building on the lot which you have sold him within 18 months?

A. I don't believe I would.

Q. You would not give him a patent?

A. That is an exceptional case; it would have to be considered on its merits.

Q. It is a matter of discretion?

A. Absolutely.

Q. But you would refuse to give patents to some people . . .

A. Generally speaking, we would, if we sold to a man and he definitely went off the property and built elsewhere. I think I would withhold his patent until he had built on his own property.

Q. You will agree with this; that people who do build in such cases, on the road allowance, do so innocently and in the belief that they own the land to the water, and that they are complying with your regulations?

A. That is exactly what I mean: if a man in ignorance or in error accidentally built a few feet off his property, I don't think I would withhold it.

Q. If he built altogether off his property and built on the road allowance—

A. I probably would, until he had moved his house back or made equivalent improvements.

Q. You would require him to build another cottage?

A. No; equivalent improvements.

Q. Even though he might have to spend \$500.00 on the place?

A. I probably would, yes. The parcel was sold under certain definite conditions of sale; I do not see any reason why he should get the patent until he meets those conditions.

Q. Do you see any reason why you should have that feet road allowance at all?

A. Why we should have the road allowance?

Q. Yes.

A. Yes, I can see why we should have it.

Q. I can show you places, Mr. Ferguson, where it is absolutely impossible for them to be employed as roads and should not be provided at all.

A. In my opinion it does not mean road, it means a marine reservation or a reservation along the shore for the use of the public, if you want to get around to the other side of the lake.

Q. I am pointing out cases where it is impossible to be used as a road, where there are rock formations.

A. You can walk it.

Q. I beg your pardon?

A. You can traverse it on foot. It doesn't necessarily mean there will never be a road. It is for the public's use.

Q. I am only suggesting that that is an obsolete regulation and should be abandoned in a great many cases.

THE CHAIRMAN: May I ask you this: when you make a sale of land and before the applicant builds his cottage, he has to have the land surveyed?

A. Unless he can give us a satisfactory metes and bounds description.

Q. But if it is surveyed then that whole allowance, the 66-foot reservation, would be shown?

A. The surveyor will not include it in the parcel.

Q. It would be shown on the plan?

A. Yes.

MR. ELLIOTT: The question of whether he would be entitled to his patent, considering the price he paid for the lot either by sale or under lease, is all a matter of discretion with the departmental officials?

A. Yes.

Q. Do you find, Mr. Ferguson, that tourists and others who are negotiating with the Department regarding the sale of land, whether it is necessary or not, frequently do come up to the Department to see you?

A. Yes.

Q. And sometimes they make two or three trips, as well as writing letters, in connection with getting property on which to build a cottage?

A. A great many prefer to come up and discuss it personally in the Department rather than by correspondence.

Q. I am saying that some of them come up, they do find it necessary to come two or three times in connection with getting property?

A. I do not feel it is necessary to come at all.

HON. MR. HEENAN: There might be such a thing as a conflict of applications.

A. Correspondence, I feel, Mr. Heenan, would cover it.

MR. ELLIOTT: Then you have water lots. What regulation have you, or what Act is there that governs the leasing of water lots? What Act or what regulations are there in existence that govern the leasing or sale of water lots?

A. I do not know of any Act, Mr. Elliott. It is our general practice not to dispose of water lots—alienate them.

Q. Do you lease them?

A. We rent water lots.

Q. Have you any authority to rent water lots?

A. It is Crown property.

Q. Under what Act have you authority to rent water lots?

A. The Public Lands Act. There is no particular section referring to water lots. It is Crown property and we may dispose of it. That is my general authority.

Q. In what cases do you lease water lots?

A. In what particular cases?

Q. What regulation have you that governs the leasing of water lots? Have you any regulation?

A. There is no particular regulation.

Q. No regulation governing the leasing of water lots. That is solely a matter for the discretion of the departmental officials?

A. In our discretion.

Q. Do you as a matter of practice lease water lots?

A. In certain sections we absolutely decline to lease them.

Q. In the Stoney and Clear Lake section, I believe there are over 700 cottages and a great many boathouses there. Do you make a practice of leasing water lots there?

A. I think you are approaching a section that I would prefer to have the Chief Clerk discuss. I have not, myself, that I recall, leased any lots on Stoney Lake, water lots.

Q. Has the Department ever leased any water lots on Stoney Lake?

A. I think I am quite confident they have.

Q. That is years gone by?

A. I have not personally dealt with any myself.

Q. The policy is that you do not charge for water lots?

A. Do not charge?

Q. Yes, you do not attempt to lease the water lots?

A. Generally speaking, no; we do not charge for water lots in that particular section.

Q. And also another section. You take wherever you have a great many cottages, is it not the policy of the Department that you have abandoned the idea of leasing water lots?

A. I won't say abandoned; we are not charging at the present time.

Q. Do you think you will be charging in the future for water lots?

THE CHAIRMAN: Oh, well —

MR. ELLIOTT: I am just suggesting —

THE CHAIRMAN: That is a matter for the Government to determine.

WITNESS: May I say that this matter is one that has been discussed repeatedly, and I would prefer not to be involved in it.

MR. ELLIOTT: You are the Deputy Minister?

A. Assistant. I have an immediate chief.

Q. We only want to ask you about matters within your knowledge.

THE CHAIRMAN: Mr. Elliott, if the witness has heard some conversations in the Department in the course of his duties, I do not believe he should be asked about those conversations.

HON. MR. NIXON: Certainly a question as to what the future policy of the Department will be is surely out of order.

HON. MR. HEENAN: Have we not met this, Mr. Ferguson? Where we rent or lease a summer resort with the reservation of 66 feet—I think it is better to call it reservation than road allowance, although it has been known as road allowance—it is to protect the public?

A. It is for the use of the public, yes.

Q. Then you may have an application for a water lot to build a boathouse right in front of that man's cottage. Have we not got grievances sometimes along those lines? A boathouse to be built right in front of the cottage which would destroy the vision?

A. Will you permit me to draw this picture my own way? There is a marine allowance or reservation—call it reservation or road allowance, whichever you prefer—along the shore of this particular lake. If it is in an organized township the control of that road allowance rests with the municipality. And before that road allowance may be disposed of, naturally it must be closed. Now, in order to close that road allowance the municipality must have a by-law passed, a duly advertised by-law, and then they submit that by-law to the provincial government. The provincial government circularizes all branches of the public service to see if we have any objection to closing that road. If we have no objection, why, then, it goes to the Cabinet and an Order-in-Council is passed. The road is closed, but until it is closed that is for public-use.

Now, Mr. Heenan, coming to your question, before we would grant a water lot in front of another man's property, we would seek his approval.

Now, in the case of an organized township, and the boathouse would be situated in front of that road, we would get the approval of the municipality before we would give any man the right, even if he owned the property behind the road, to erect the boathouse. In other words, we would have the approval of the municipality before we would permit even the man who owned the parcel beyond the road to build a boathouse in front.

MR. ELLIOTT: These road allowances are road allowances leading into the lake?

A. And around the lake.

Q. And around the lake?

A. And around the lake.

Q. That is where there was a road allowance in the original survey?

A. Yes.

Q. And you are still providing a road allowance in the subdivisions that you have made?

A. Present day surveys almost generally provide a road allowance around each particular location.

Q. Wherever there is a road allowance —

A. Call it a reservation.

HON. MR. NIXON: Otherwise no person could get around the lake without trespassing?

A. That is what it is for.

Q. Or fish off the rocks?

A. He has not got to travel six or ten miles to get over to the other side.

MR. ELLIOTT: Who determines what lakes should be subdivided, or what land should be subdivided?

A. That is generally after a request has been made by the local citizens to provide summer resort parcels on this particular lake. It may be some of the leading associations, clubs or the local member—some responsible party or group who feel that we should provide summer resorts on certain lakes.

Q. Do you know Gull Lake or the Mississauga Lake? If you do not know them we will not go into them. I am pointing out that there was a subdivision in connection with Gull Lake and Mississauga Lake in 1928. I believe the plan was filed in 1929. My information is that none of these lots has been sold since it was subdivided?

A. That is one objection to subdividing because we go to enormous expense and maybe sell two parcels in two years. We should not subdivide until we are quite confident there is a serious demand.

Q. When you make a subdivision you increase the price of the property so that you will absorb your survey costs?

A. Absolutely.

Q. When you subdivide properties you make a charge of so much a lot. You generally set them up with a frontage of 200 feet as a basis. What are your prices? Who determines the prices?

A. Frequently we ask the Ontario Land Surveyor who makes the survey to fix the price. In other cases we send our local man.

Q. What would the surveyor know about prices?

A. He should be a qualified man. He has been an engineer and has been handling lots all his life.

Q. You mean a surveyor of the Department?

A. No, an Ontario land surveyor who has no contact with our Department.

Q. On his information you fix the price in some cases?

A. In many cases.

DR. WELSH: Eventually the applicant pays for the survey?

A. Oh, yes; we include that in our price.

MR. ELLIOTT: Sometimes you fix a price of \$200 a lot, do you not?

A. Including cost of survey, we might go that high, yes.

Q. If you do not sell any of these properties over a period of years, do you ever consider reducing the price?

A. We would. If we saw there was no sale, we would.

Q. Do you know of any cases where you have reduced the price?

A. I can't recall one, no.

Q. You have certain fees that you charge in certain cases, Mr. Ferguson, like, for instance, the release of pine and that sort of thing? You know the way you release the pine, you give a patent?

A. Yes, there is a release of pine and pine patent.

Q. Do you charge for those patents?

A. In some cases we do; that is, we sell a man the pine. We lease the pine and we charge a patent fee of \$10.00.

Q. Are there regulations governing cases in which you charge a patent fee?

A. I have not the regulations.

Q. Are there any regulations in existence?

A. Not to my knowledge. The release of pine and the granting of pine patents are both covered by 33 of the Public Lands Act.

Q. You sometimes charge a patent fee and sometimes you do not?

A. I know of no cases where we did not.

Q. I beg your pardon?

A. We generally charge the patent fee.

Q. You do not have to, there are no regulations requiring you to?

A. Not to my knowledge.

Q. And it is a matter for the departmental officials to determine whether the fee is payable or not?

A. To cover the cost of our clerical work.

Q. Then you sometimes charge for descriptions?

A. Yes.

Q. And sometimes you do not?

A. That is right.

Q. Is there any regulation that governs the charges that will be made in cases where —

A. Descriptions?

Q. Yes?

A. Not to my knowledge. I might say that Mr. Fullerton of the Surveys Department, I think, would be better to ask that question concerning description fees.

Q. You are dealing with the people through correspondence when these fees are charged. In some cases they are not charged?

A. I mention that in saying that I know of no regulation. I do not know of any regulation.

Q. On the question of these water lots, I think you will agree that in these closely settled areas it would be in the public interest to charge for water lots that is to charge rent?

A. I would not like to express an opinion on that.

Q. You say there is no regulation in existence that determines the manner in which you will deal with the leasing of water lots?

A. Water lots are governed by the Public Lands Act. They are Crown property. It is land under the water.

Q. There is no mention made of water lots in the Public Lands Act?

A. No.

Q. And there is no specific authority in the Public Lands Act for you to charge rental for water lots?

A. No.

Q. You think it is the inherent right of the Crown to charge for the rental or sale of these lands?

A. It is Crown property, yes.

Q. You will agree that you have had a great deal of trouble with certain people over rental for water lots in various areas—take the Muskoka district?

A. I wouldn't say we have had trouble. It has been a matter of controversy and discussion whether we should or should not charge.

Q. If a person is to go ahead and build a cottage and boathouse, there would be no necessity of applying for a water lot for the boathouse, would there?

A. I fail to see where a person has the right to take possession of something that does not belong to him.

Q. But people do not apply for water lots when they build boathouses?

A. We have applications, yes. We get them from individuals who want to be certain of their ground. They want to build a boathouse and they have to invest money in it and they make regular application.

Q. And sometimes the Department writes back to people who apply, and states that you are not going to entertain an application for a water lot in that area?

A. What particular area?

Q. We will say Stoney Lake, for instance, where people made application.

A. I have in mind, Mr. Elliott, Lake Simcoe, where the council strongly objected to the permitting of any more construction of boathouses or docks on the shoreline of Lake Simcoe. Naturally, if a person applies here, we would not entertain the application.

Q. Because your policy is not to charge for water lots?

A. Our policy is not to permit construction on Lake Simcoe, because the Council has asked us not to permit it.

Q. Is it not a fact that there is a very small percentage of people in the province who have boathouses on Crown property who are paying any rent?

A. There are a large number that are. I would not go into the percentage basis. We have hundreds of licensees.

Q. Supposing I would say that out of six or seven hundred boathouses on certain lakes, there might not be five would be paying,—do you think that would be right?

A. On what particular lake?

Q. Say Stoney or Clear Lake.

HON. MR. NIXON: How many cottages?

MR. ELLIOTT: There are over seven hundred cottages.

HON. MR. HEENAN: Might it not be more proper to put the question in this way, Mr. Elliott, that anybody who is permitted to build a boathouse on any lake, some of them pay and some of them won't pay?

MR. ELLIOTT: I am told that in some cases they have told people that they did not need to pay.

HON. MR. HEENAN: I have seen it stated in newspapers that sometimes a Minister has told people that they could not build boathouses, but that is not correct.

MR. ELLIOTT: Q. Do you not think it would be well to have a settled policy in connection with water lots, that there should be something established, either by way of legislation or regulation, so that there would be uniformity and definiteness about the right of people to water lots?

A. There are two classes of water lots, Mr. Elliott. Take Windsor, a border city, where we have a great shipping centre, and we receive applications occasionally for dock purposes. That is in a different category from an application for a docksite up on one of the Muskoka lakes. At the Windsor border, we certainly require them to pay. Up in Muskoka, I cannot say that they would be required to pay.

HON. MR. NIXON: The circumstances would govern that?

A. Yes, certainly.

MR. ELLIOTT: Q. But you think it would be a good thing if there was by legislation or regulation a definite setting out of conditions to determine the rights of people to water lots?

A. The question of water lots is a matter of policy for the Administration. I am only a civil servant, and would not like to offer a suggestion.

Q. If the Department is going to meet that difficulty, it will be a matter for a changing policy with different governments?

A. It is a question.

Q. You have lands in the Crown, some of which have been located years ago and abandoned, without any patent being obtained, the application never having been approved? There are many lands in your hands, and some of those lands were obtained in 1890 —

A. And probably farther back than that.

Q. And some buildings erected on the lands?

A. I can take you back to some before Confederation, where they have not obtained their patents yet.

Q. And you also have cases where defaults have been made in payments,—lands perhaps settled on back thirty or forty years ago, and they have not paid,—you have many cases of that kind?

A. Yes, we have many cases of old sales, where the property has descended to other individuals, and the purchase price has not been completed, and the interest now is greater than the purchase price.

Q. A man might have two hundred acres of land in a back township, and there would be a hundred acres suitable for pasture purposes and the title is in the Crown; and if you were asked what you would take for that land, you would say it was located by John Jones and there was a balance owing of \$150 from 1887, and he could obtain it by paying the \$150 and the interest from 1887?

A. That is just an outsider coming in?

Q. Yes?

A. I do not think I would ask him that price, myself.

Q. As a matter of routine, when a person writes about a property, that is the price they are given?

A. I would not be in a position to say he might buy it at all, unless I had wiped out the previous owner's title.

Q. Supposing the previous man's title was wiped out, then the price you would quote would be the balance plus the accrued interest?

A. No, I would have to know, first, what that land was worth.

Q. Have you not seen correspondence where the quotation was on that basis?

A. I do not think I have. I do not see how a man can fix a price, if he does not know what he is selling. There may be a report back on the file, a year or two back or within a reasonable time; and there might be improvements, and we might be charging for those.

Q. I am saying, if a man writes in enquiring about a piece of land, the price would be the balance of the purchase price plus interest and costs?

A. I would have to know what I was selling, because the land might be worth a great deal more than that.

Q. Take a case in Hardy Township, where the Department was insisting upon a price, and I suggested the valuation, and they did that and fixed the price at \$1.00 an acre?

A. That is exactly what I am saying. You have to know what the property is worth before you can sell it.

Q. Should not that be done in every case where there is an application to buy, instead of the Department trying to hang to it, to try and find out what a fair price would be?

A. Are you asking whether it is our policy to dispose of these lands?

Q. I am speaking of agricultural land?

A. I have been led to believe that this present Committee have seriously thought of reforesting a good deal of old Ontario,—I will not say “reforesting”, but cultivating tree growth there.

Naturally, if these lands are not fit for farming, why give them away?

Q. I am not saying whether they are fit for farming or not. I think it is generally the idea of the public to reforest their land?

A. I have been schooled along the line of the Department trying to look after their own resources.

MR. ELLIOTT: That is all I have, thank you.

HON. MR. HEENAN: Q. Is it not a fact, Mr. Ferguson, that one of the things with which you have to deal is that, generally speaking, everybody thinks he should get something out of the Crown for nothing?

A. Absolutely.

Q. For instance, if you have an application for a summer resort, I think one of the difficulties which you encounter—very few of those cases come to me—is that you have to vary the prices, as one man might select a point where he has a lane to a beach, and that is more valuable than where a man has no connection with the lake?

A. Yes.

Q. For instance, Hon. Mr. Nixon, here, has a farm, and if his farm was satisfactory for a summer resort, I imagine there would be some parts of his farm which he would want to sell at a higher price than other portions of it?

A. Yes.

HON. MR. HEENAN: What we call a road allowance, Mr. Elliott, is a reservation for the public. We do not want the old country idea that “this is my property, and you must not trespass on it”, and therefore we have the sixty-six-foot reservation.

We find cases where a person is not satisfied that that sixty-six feet should be reserved, and he commences to claim it as his property and builds a boathouse on it, and dares anybody to put him off.

Another person wants a summer resort, and he says, I am going to fix upon such and such a point. I have written to the Department, and I have not had an answer, and he says he is going to build; and he squats on a part of a lot and starts building. And the more road construction and development we do throughout the country, the more of that sort of thing we meet.

MR. ELLIOTT: Has that ever happened in Kenora District?

HON. MR. HEENAN: It does happen, even in the Kenora District.

MR. W. G. NIXON: This development on Lake Muskoka or Lake Rosseau, with the wonderful summer homes, are they built on the lease basis?

A. Practically all of them are built on property that is privately owned, the people originally getting the lands as free grants, generally. In the Lake of Bays district, the settlers came in with the lumbermen, and they developed into farming.

Q. The owner of a site for a nice summer cottage would infinitely rather own the land?

A. Oh, yes.

MR. SPENCE: Q. Are we giving Americans any encouragement to own islands here? You have many applications from Americans?

A. An American, Mr. Spence, is in the same position to us as a Canadian. We do not require naturalization papers, or anything. He is free to make an application.

Q. I have found that people in the United States say, What must we do to get land up there? We want an island. Particularly since the Trans-Canada was put through, they want an island, say along between Nipigon and Schreiber. Are we making any provision or policy to handle those numerous applications? You know the country there, with one of the largest inland lakes in the world?

A. There is no particular regulation except our ordinary practice and regulations.

HON. MR. HEENAN: We have every convenience, Mr. Spence. For instance, if a man comes to Port Arthur and wants to lease or purchase an island or a piece of land, the office is right there, and he goes in and gets all the information in respect to it from the office; and then they communicate with the head office about it.

DR. WELSH: Q. Mr. Ferguson, what about fire protection of summer cottages—is that under the Fire Protection Act?

A. Any fire protection is entirely outside of my sphere, and I could not tell you.

HON. MR. HEENAN: Generally speaking, we do not make any difference, in our fire zones. We protect it, whether it is farmers' land or summer cottages.

THE CHAIRMAN: Is that all? All right, thank you, Mr. Ferguson.

Now, Mr. MacDougall, please.

FRANK A. MACDOUGALL: Sworn.

MR. ELLIOTT: Q. You are Superintendent of Algonquin Park?

A. Yes.

Q. What territory does that embrace?

A. About twenty-seven hundred square miles, and a fire zone of the same size.

Q. What district does that come into?

A. Part of Nipissing, and a little bit of Haliburton.

Q. You, of course, are in charge of the fire protection and the Rangers, and also of the sale or leasing of Crown lands?

A. Yes.

Q. Are there many lands which have been sold or leased in Algonquin Park?

A. Yes, about between three and four hundred twenty-one year leases.

Q. Many sales?

A. No sales, except one or two antedating the park, that the park has surrounded since.

Q. That is the policy is not to sell but just lease?

A. To lease.

Q. For twenty-one years?

A. Twenty-one years renewable for that period.

Q. For what period?

A. They are renewable every twenty-one years.

Q. On what basis do you charge?

A. \$15 an acre per year.

Q. That is uniform throughout the park?

A. Yes, the rental is fixed for the twenty-one year period, and then if there is a raise of rental, at the end of the twenty-one years it is at the new rental. It was \$10, and then \$15, and now it would be up to \$20.

Q. What procedure is followed when a person desires to rent a property from you?

A. We have set aside certain lakes which are open, that is all lakes which border on the two railway lines are open for location, and, providing they are not needed for our purposes, they are open for location.

A man is told where he can get land, and he selects his site and then puts in his application.

Q. When you receive the application there, what do you do?

A. Approve it and send it to Toronto. And then it goes through the regular routine. If a man is in a hurry to get started, we tell him to go ahead.

Q. What plan is followed?

A. Some of the lands are surveyed; others are tied in, and they are surveyed by some of our men, and then we tell them to get a survey. If there is any controversial question which makes it difficult to make a description, we ask him to get a survey.

Some are tied up by chains, or by corner posts. They must be tied in from a known point.

Q. The responsibility, however, is with the departmental authorities to supply the description in ninety percent of the cases or more?

A. Yes.

Q. When a man makes an application for a lease, how long is it before he gets his license, as a rule?

A. Some of them we tell to go ahead in a day. That does not mean that he gets his papers.

Q. Does it take a month?

A. Yes, sometimes longer. Usually a man takes a place one summer and builds his place the next summer.

Q. Usually, though, he can acquire title, in the ordinary routine, in a few weeks or a month?

A. It should be so.

Q. Then, after the man makes his application, there is nothing further which he can do?

A. Before he can build a place, it must meet with the approval of the Department,—he must submit his plans.

Q. When he makes his application and you supply the description, there is nothing further to do but to wait for the approval of his application?

A. Yes.

MR. ELLIOTT: And that is rather simple.

HON. MR. NIXON: Q. Whether it is simple or not, it works?

A. Yes.

THE CHAIRMAN: I notice that in last year there were water lots—

A. There are places where land is not open for a lease. That is, a man may want to get a place in the interior, and for some reason he is given a temporary lease. In other words, a logging company might want to put up a depot. It is not a bona fide summer resort.

MR. ELLIOTT: Q. Mr. Avery has established a tourist place?

A. In addition to the summer resort property, the regulations provide for tourist locations throughout the park; and we have restricted those to one to a lake. Avery's place has been there for a number of years. It was taken out by a man before him, and just transferred over. There was one open for location, but it was cancelled at the end of his lease, because he was an old man. There are no private leases on that lake.

MR. W. G. NIXON: Q. Is the charge there \$15 an acre?

A. No, for tourist places they pay \$20 an acre, five acres at \$20.

MR. ELLIOTT: Q. Where a place is open for location you do not mean it has been subdivided?

A. Yes, by a surveyor. Some of them are just tied in with iron posts. In other cases a surveyor has fixed upon the land which he thought was proper for a summer resort; but in other cases the tourists choose rocky points, which the surveyor rejected.

Q. Where do they get the start—what ground mark is there?

A. There are township lines or concession lines or iron pickets to tie to. In other cases, where there is nothing to tie to, we ask them for a survey.

We do not write the description, but we send in the notes, and the Surveyor General writes the description. The applicant pays \$10 for that description with his application.

Q. If he had to have a survey made, it might cost him \$100?

A. No, around \$30. It costs him \$10 for the description, if the Department does it. If he does it himself, he gets credit for that.

Q. It is desirable to have as little red tape as possible?

A. Yes.

Q. It is easier to develop when you remove the red tape?

A. Yes, you can tell the man he can have the place.

DR. WELSH: Q. There seems to be less red tape than in connection with land in northern Haliburton. Are you governed by an Act?

A. It is departmental regulations.

Q. Everything is very satisfactory with regard to people coming in?

A. Yes, it usually is. There are sometimes odd difficulties, but nothing to speak of.

HON. MR. HEENAN: Q. Have you any Americans coming in?

A. About one third Americans buy licenses. They pay about \$15.00 a year lease; that is about \$300 an acre for the useless shore land.

Q. Are you bothered with any cases of two persons wanting the same piece of land?

A. Yes, we have had one case only of that. That came about because there was a question as to where the man made his application. I took the view that the man who made his application to the park office had the prior application. But the other man thought if he came down to Toronto, he had the prior right. It is very seldom that that question arises.

THE CHAIRMAN: Are there any further questions?

Thank you, Mr. MacDougall.

We will have Mr. Crosby and Mr. Brodie this afternoon.

We will now adjourn until two-thirty this afternoon.

At 12:40 p.m. the Committee adjourned until 2:30 p.m.

AFTERNOON SESSION

THE CHAIRMAN: The Committee will come to order.

The Secretary informed me this morning that Colonel Jones, president of

Price Brothers, will be available Monday, May 6th, and that Mr. Sensenbrenner will be available on Tuesday, May 7th.

Which witness do you desire to call now, Mr. Elliott?

MR. ELLIOTT: Mr. Crosbie.

H. W. CROSBIE, sworn.

MR. ELLIOTT: Q. Mr. Crosbie, what is your position with the Department of Lands and Forests?

A. District Forester.

Q. Where are you situated?

A. At Tweed.

Q. How long have you been with the Department?

A. Seventeen years.

Q. Were you always situated at Tweed as District Forester?

A. Prior to being District Forester I was Assistant District Forester at Tweed and at Sudbury.

Q. And in your office, I believe you administer the affairs of both land and timber?

A. Land and timber, yes.

Q. Your district covers what territory?

A. The northern parts of Peterborough, Hastings, Frontenac, Lennox, Addington, Lanark and the southern part of Renfrew Counties.

Q. We are dealing with the question of lands. You heard the evidence of Mr. Ferguson this morning?

A. Yes, sir.

Q. I suppose you have applications made to you for lands to be leased or sold for summer resort purposes?

A. Only occasionally.

Q. Do you have anything to do with the obtaining of reports, or making reports on lands in reference to applications made?

A. Yes; I am requested to make the examination through our staff of the lands which are applied for.

Q. Are you familiar with the cottage developments and tourist developments in that area?

A. Yes.

Q. And there are places where there are closely populated districts, such as Stoney Lake and Clear Lake?

A. Yes.

Q. And similarly, there are other locations where there are a great many cottages?

A. Yes.

Q. And there are areas also where there are just a few cottages?

A. Yes.

Q. Where there are probably large territories available for location?

A. Yes.

Q. You know the procedure followed in obtaining land for lease or purchase?

A. Yes.

Q. In your dealings with persons who are applicants, what do you find to be their attitude in reference to the procedure which they must follow in order to acquire title to leased property?

A. I find that a rather difficult question; that is, to state generally the attitude of people towards procedure for application. I have heard criticism of the delayed procedure in obtaining land.

Q. That is, in making application, to find the price first and then it is necessary to provide a survey and wait until being advised of the approval of sale?

A. Yes.

Q. I think Mr. Ferguson said this morning that not altogether through the delay of the Department but through the ordinary negotiations and delay occasioned to the purchaser in getting a survey, the transactions ordinarily run from six months to a year?

A. I have no knowledge of the time it takes to secure land.

Q. Regarding the subject of price for cottage properties I think you should be familiar with the land available for cottage sites in the territory in which you are situated?

A. Yes.

Q. It was mentioned this morning that the price is fixed by the Department and that prices—while this is not always the case—vary on the same body of water?

A. Yes.

Q. In the first place, what would you suggest, if you have any suggestion to offer, would simplify the procedure so people could readily learn the prices placed on various properties in your district?

A. Well, there would be great difficulty in establishing procedure other than what is in existence at the present time because of the great variation in valuation.

Q. But you some times make reports upon the basis of which prices are fixed?

A. Prices may be fixed on the price suggested as to the value, but the value which we place is not definitely the value accepted by the Department.

Q. It does not necessarily accept your recommendation?

A. No.

Q. Take a body of water like Papineau Lake, where there are many locations available and upon which there are just now a few cottages, do you not think it would be a good thing if a report was made placing the value per mile or per 100 or 200 feet of land, as the case may be, which may vary having regard to the accessibility of the land. Do you not think that could be readily done?

A. I think there would be difficulty in doing that because the value of land may vary from \$10 to \$200 an acre within a very short distance on that very lake. There are some very desirable cottage sites and they could not be placed on a map except by prior inspection and classification. Prior to that it would be necessary to make a survey of the subdivision and of the area suitable for location.

Q. What I have in mind is that instead of having to make an inspection nearly every time there is an application whether or not there is a sale of land around water, that if you went up once to a lake and set a valuation which you had before you to quote to the individual—and the Department would have one so it could fix the valuation readily—you would know and the officials of the various offices would know the price based on the various lots?

A. I think there would be difficulty encountered in that.

Q. But you have to fix a valuation for each individual lot when application is made anyway, do you not?

A. Yes.

Q. Then could you not go along a lake where the shoreline is about a mile,

covering similar land of a similar type, and fix the price per acre for that territory and you could go along and fix the price on another part of the lake?

A. Yes, it could be done, but I do not think it would be very satisfactory.

Q. Then the people could come along and they would first probably get the best site—and that happens in every case?

A. Yes. I think the people have an understanding of the value of the property or the price which would be charged by the Department when application is made.

Q. They should have?

A. They have; that is, on lakes where previous sales have been made, with the exception of those made many years ago. Prices have changed considerably in the past ten years in that district.

Q. Can you tell what you would have to pay for a lot on Papineau Lake on the south side at which points they have two roads going in?

A. Yes.

Q. Do you know the price the Department is charging in there?

A. I do not know the price the Department is charging, but I know our valuation price.

Q. You know your valuation price, but you do not know the price the Department is charging?

A. No.

Q. If a person came to you and asked you what they would charge for a lot on Jack's Lake or some other lake in North Peterborough or North Hastings, you could not tell what price the Department would charge?

A. No.

Q. But you have your valuations?

A. I have an approximate valuation for all properties in that district, but the final valuation which we place on them is set after inspection or at the time of inspection.

Q. Then you make a great many inspections where applications are made and no sales are made?

A. That I cannot say. We do not know the final disposition of the application.

Q. You know prices vary from time to time?

A. Yes.

Q. Of course, you do not exercise discretion except to make recommendations to the Department?

A. That is all we do—make our recommendations.

Q. In regard to the question of survey, are the township lines marked on the lake?

A. Very indistinctly in many cases. The surveys of the southern townships of the district were made between the years 1820 and 1840 and some later, but they are very indistinct.

THE CHAIRMAN: Q. Matawatchan Township is in Peterborough County?

A. Yes.

Q. I heard the lines were obliterated and could not be located?

A. Yes.

MR. ELLIOTT: Q. If the Township lines were determined, could you and your officials make descriptions similar to the ones which were made in Algonquin Park by the Rangers?

A. That would have to be answered by those who are responsible in plotting the descriptions.

Q. I cannot hear you?

A. That would have to be answered by those responsible for plotting the descriptions. I know we can make them and they are acceptable, but I know there are areas in some surveys in which we are not competent to make a description.

Q. It was said, except in rare cases where difficulties presented themselves, they obtained sufficient evidence in order to permit descriptions being made. If the Township lines are marked, except on those rare occasions where difficulties present themselves, you could make the description?

A. Not all members of our staff could; some could and some could not.

Q. Do you not think it would be a very desirable thing if that responsibility were undertaken by the Department, in order to convenience the public?

A. I think we would have difficulty in so describing surveys to be sufficiently accurate for entrance to the Land Title books. There are some cases—I will not say all—where we would have difficulty.

Q. Where you can, do you not think that should be done?

A. Yes.

Q. After all, if you make one or two descriptions on a lake, it should not be a difficult matter to make others?

A. No.

Q. It would be an easier matter because you have your land markings?

A. Yes.

Q. Would that not be so?

A. Yes.

Q. It would not be a very great inconvenience or present many difficulties except in rare cases, if the responsibility of making descriptions were to be assumed by the Department?

A. Yes.

MR. COOPER: Q. What would the cost entail? Would it cost much to do that?

A. In a ranging staff?

Q. Yes?

A. Little compared to an O.L.S.

MR. ELLIOTT: Q. If you charge \$10.00 a description, would that be all right?

A. I think an average of \$10.00 charged would be sufficient to cover it.

Q. My information is, that when a person purchases a property at a remotely-situated lake, it might be six months before a surveyor could go up there. It might be winter and the surveyor might be busy, which is a matter which causes a great deal of inconvenience to the applicant?

A. There are only three Ontario Land Surveyors in the district. There are none resident in the area.

Q. Can you make descriptions from aerial maps?

A. Not which would be accurate.

Q. They assist you, though?

A. They assist.

MR. COOPER: Q. You could not make a description sufficient for land title registration?

A. No.

MR. ELLIOTT: Q. You think a charge of \$10.00 would be sufficient? Do you answer the question in that manner?

A. Well, it is rather difficult. I know of cases in the outer parts of the district where the charge may be \$25.00 or \$30.00.

Q. I say, that if the departmental officers received \$10.00 in several cases for making a description, it would adequately compensate.

A. I would not say that.

Q. After you had made a couple the rest would be very easy?

A. It depends on the employee in that district, as to whether he is able to make that survey. Rangers in Algonquin Park are more competent to make a survey of that type than rangers in our fire district, because our men are only temporarily employed and are low-salaried men.

Q. You could acquire them?

A. Yes.

Q. It would promote very many sales, in my view, if you furnished descriptions and made a charge of \$10?

A. And I suggest there is a possibility of confusion in land titles. These men are only \$2.25 a day men employed five months of the year, and it is difficult to get an accurate description from a man of that type.

Q. You are on Crown lands?

A. Yes.

Q. If they can do it in Algonquin Park you should be able to do it in Hastings. What do you think about that?

A. Well, the problem in the Tweed District is very general over an area of 4,000,000 to 5,000,000 acres. We have from the Rideau Lakes to Stoney Lake. In Algonquin Park the area for lease is restricted to that along or immediately adjoining the areas and the area from which they lease land is very small compared to that in the Trent District.

MR. COOPER: Under the Land Titles Act I understand the Master of Titles will not accept a description unless it is signed by an Ontario Land Surveyor.

THE CHAIRMAN: But outside of that is it not safer for the purchaser to have his lands laid out properly. I know of a case near Ottawa where a man discovered his back line ran through his kitchen.

MR. ELLIOTT: Q. Have you anything to do with the leasing of water lots?

A. No, I have never had any experience in that—that is, only in one case have I had anything to do with the valuation of a water lot.

Q. Are lots generally under lease in the lake district?

A. Not to my knowledge. .

Q. In other words there is only a very small percentage of the cottagers having boathouses renting lots on water?

A. Yes.

Q. Do you believe it would facilitate matters if the files or certain of the files or records pertaining to the lands in your district were in the district office?

A. I do not know. I am not sufficiently familiar with the routine of registration in the granting of patents to answer that question.

Q. You do not want to give an opinion?

A. No.

Q. The point is for the convenience of the public, it is my suggestion that if the land files from the standpoint of administration were centralized and each district looked after its record of its own territory and assumed the responsibility of making surveys, it would be of great convenience to the public and would expedite transactions in the Department of Lands and Forests?

A. I do not think at the present time our staff is competent to handle the details?

Q. That may be so.

THE CHAIRMAN: I do not want to interrupt, but we have to have one centralized place at which records are kept and I think there are some claims staked out in southern Ontario; that is, mining claims. You might have the difficulty of having a claim staked out in my department on a site which could be applied for in Mr. Crosbie's office a day or a week after.

MR. ELLIOTT: They could notify the Department which Mr. Crosbie controls the same as they could notify the Department here.

THE CHAIRMAN: Here it is simply a matter of having access to the same records. We have only one set of records for both departments.

MR. ELLIOTT: I think that is a matter which would not interfere down there.

THE CHAIRMAN: We have had some difficulty before.

MR. ELLIOTT: We are not dealing so much with Crown lands as with territories available for agricultural purposes and multifarious transactions relating to cottages.

THE CHAIRMAN: As a matter of fact we have had a couple of cases like that in the north.

MR. ELLIOTT: It would be relatively small.

THE CHAIRMAN: But it is quite important to the man applying.

MR. ELLIOTT: But it should not determine the whole procedure in regard to the administration of lands.

THE CHAIRMAN: Quite naturally we want to avoid the possibility of mistakes.

MR. ELLIOTT: Q. Assuming you had a competent staff, do you think it would be desirable in the interests of the public?

A. I think anything which would facilitate the securing of summer resort land by those who desire to secure it would be in the public benefit, because we all appreciate the value of summer residents, particularly foreign residents who come into our country for the summer. It is of value if we can get a resident to come in and anything which would encourage or facilitate his coming in would be of advantage, I think.

Q. Do you not think it would be somewhat the same as in disposing of real estate, that the public would be facilitated if all your officers had certain information regarding the prices of property in the procedure followed in obtaining properties?

A. Yes, it would.

Q. In your territory there are some lands under timber license?

A. Yes.

Q. Is that not so?

A. Yes.

Q. And who grants those licenses?

A. The licenses are granted through the Toronto office.

Q. The licenses are granted through the Toronto office?

A. Yes, sir.

Q. And is there any procedure or regulation which you know of, whereby you can stop an operator from cutting, if he is decimating the property or territory and not practising reforestation by leaving sufficient seedings?

A. There are provisions in the Crown Timber Act to prevent the practice of operation which is detrimental to the best interests of the forest.

Q. Suppose a man has cut over a territory under timber license and taken off the merchantable timber, and makes application to transfer that license. What procedure would he follow?

A. He would make application to the Department in Toronto for the approval of license.

Q. What steps, if any, would be taken in determining the area over which he must go?

A. I do not know of any.

Q. As a matter of fact, is it not the case that when these lumbermen remove the merchantable timber, they sometimes sell their license to a settler or fuel-wood operator who will clean the land and cut everything away?

A. There are such cases, yes.

Q. What can you do to regulate that situation under the Acts covering the regulation of land? Is there anything you can do to prevent it?

A. Yes; there is authority in the Act to prevent that.

Q. Is there any regulation governing it?

A. No; there is a regulation governing the cutting of small pine under authority of the Crown Timber Act.

Q. I know that. We will assume there is no pine?

A. No.

Q. Are you familiar with the prices charged for rentals of cottage sites on various waters in your district?

A. Only those prices of which I am advised from head office.

Q. Each application has to be determined by head office?

A. Yes.

Q. That is all.

THE CHAIRMAN: Are there any other questions of this witness?

MR. SPENCE: In respect of the map on the wall, it looks like a timber branch map, or is it for fire protection?

THE WITNESS: That is our district for district organization. The boundaries of each district are designated on that map.

MR. DREW: Q. Your district is the one on the right side of the map?

A. Yes, the blue one.

Q. The dark blue?

A. Yes; that is right.

Q. That incorporates what area actually?

A. The area is designated as being in the Fire District, and it is parts of Haliburton, Peterborough, Hastings, Lennox and Addington, Frontenac, Lanark and the southern part of Renfrew County.

Q. Does that go over as far as the Muskoka Lakes?

A. No, sir.

DR. WELSH: What is the position at the present time of the settlers? That is, those who are part time engaged in the lumber industry in your district?

A. The settlers who are forced to secure means of livelihood through employment in the bush, are of the type who are of a very low economic status. They can be classed as the poor people of the district and they are a very low subsistence class.

Q. Do you think that north of Hastings lends itself to reforestation at the present time?

A. No, I do not, with limitations, of course. The soil is not sufficiently productive.

HON. MR. NIXON: Q. It will not grow a tree?

A. It will grow a tree, but it is not economically feasible to plant trees in a large percentage of the land in North Hastings.

MR. COOPER: Q. Was that not timbered before?

A. It was heavily timbered, but then repeatedly burned.

Q. Would you say the soil has changed now as compared to what it used to be years ago?

A. Very much changed by reason of fire and erosion.

Q. On account of the burning?

A. Yes.

Q. I see.

MR. W. G. NIXON: Q. What is the nature of the soil?

A. It is sand and gravel over the Laurentian area.

Q. It would be badly leached?

A. Yes, it would be badly leached.

MR. COOPER: Q. Do I understand you to say that formerly you were in northern Ontario?

A. Yes.

Q. What inquiry, if any, is made as to the arable land before a farmer is allowed to go on the land and take up homesteading?

A. We are asked a question as to if the land is fifty percent suitable for agricultural purposes. We must be assured that the man is going to make a living off his land before he is placed on it.

DOCTOR WELSH: Q. As to Mr. Elliott's questions regarding land for summer resorts, it is an altogether different problem in the Trent district than in northern Ontario?

A. Yes.

Q. I would venture to say we have lots and lots of Americans who will not come in because of the red tape of the Crown in the Province of Quebec?

A. That I cannot say. I do not know anything about what is happening in Quebec, but I know the Americans are very impatient. Most people want to build a cottage in a week. I do not know of any machinery which could be set up which would allow us to dispose of land within a week. Enthusiasm for a cottage probably develops in one day very suddenly and it wanes when the snow falls.

MR. ELLIOTT: Q. If you had a planned survey it would assist him so much that he would probably get it in a month?

A. Yes.

HON. MR. NIXON: Q. Do you find that when a man desires to build a cottage he wants to own the land on which he builds?

A. Yes.

Q. Rather than have some complicated lease?

A. Yes. Lands within the provincial forests cannot be other than leased.

Q. You are not dealing with those lands?

A. Yes. We have two provincial forests in our district.

Q. What percentage of the area is taken up with that?

A. Five percent of the Crown lands.

Q. Five percent?

A. Twenty percent, rather; one-fifth.

MR. W. G. NIXON: Q. Would you care to express an opinion as to the feasibility of selling as against leasing in that area? It is a controversial matter in Temiskaming?

A. I would much rather build on land I own than on land I lease.

MR. DREW: Q. Do you actually find it deters people when they find they cannot buy it outright?

A. I am of the opinion it does.

Q. Have you actually encountered that in discussions in regard to islands and so on?

A. Yes, I have.

HON. MR. HEENAN: Q. Are you familiar with the administration of lands on the American side?

A. I have visited the Adirondacks National Park in the Adirondacks.

Q. I do not know whether or not it is true, but I understand you can hardly buy land outright in the United States to-day?

A. That is true.

Q. It is on a lease or license of occupation?

A. Yes.

Q. If I am wrong in this, you might check me up, but I have heard that Americans have a fear of taking a lease or a license of occupation in Canada. They fear there might be some political effect upon change of government?

A. No, I have never heard that expression.

Q. I have had it in my own district. They think that a license of occupation or lease here means only for the life of the present government and due to some political effect such as in the United States, they are not safe in that way. Therefore they want to purchase outright. They told me this themselves—and in doing so that they cannot purchase in their own country—but have you ever known a license of occupation or a lease being cancelled without cause by any Minister or any department of the government?

A. No, sir.

THE CHAIRMAN: I have heard it mentioned several times that some American investors will not invest in mining property when it is held under license of

occupation. They want property definitely when they put their money into it. I suppose it is the same when they purchase summer resorts.

MR. ELLIOTT: Q. The two things which are really obstacles in the way of applicants negotiating for the purchase of land is the delay in learning of price they have to pay and the inconvenience and cost of providing for a survey?

A. Yes.

Q. Suppose you were to survey a lake like Papineau Lake, would I be right in saying that if you could have the work done at a cost of less than \$10 —

A. I do not think it can be done at less than that.

Q. Have you any idea?

A. I have no idea.

Q. You have no idea?

A. No.

Q. I think you agree that you and the other departmental officers really have these lands for sale and you do not know the prices in order to readily furnish them to the people making application?

A. No.

MR. DREW: Q. Mr. Crosbie, you spoke of the fact that the settlers in your district are of very low economic status, that is in the northern part. Am I not correct in saying that the condition of those settlers in the northern part of Hastings County, extending into the adjoining counties, is really a very serious one?

A. I do not think it is as serious as it was ten years ago.

Q. It has improved?

A. It has improved very much.

Q. What has caused that change?

A. The interchange of community life owing to the construction of new roads and the use of the motor car,—that has broadened their contacts with other people. Their social contacts are better now than they were. There is no intermarriage, such as there was years ago.

MR. COOPER: Q. Do you say the motor car has improved the social condition of the people?

A. Not the economic condition.

HON. MR. NIXON: Has the tourist traffic made any difference to them?

A. Oh, yes, it has been very marked economically, and quite marked socially.

MR. DREW: Q. But actually there has been quite a serious problem in connection with the economic status of those people who lived in there, as settlers, at the time that timber was being cut, and then found that they could not sustain themselves on the soil,—that did present a serious problem?

A. Yes, but I think that we who go into it worry about it more than the settlers themselves. They are satisfied, themselves. I know that the experiment was made in Haliburton, and a great many were moved out of there; and they returned and would much rather live in Haliburton than where they were moved to.

MR. COOPER: Q. You mean that they were taken to northern Ontario?

A. Yes.

HON. MR. NIXON: Were there actually many families that were moved?

A. Thirty-five families, I believe.

MR. SPENCE: It is not suited for tourist resorts, is it?

A. Oh yes, with many lakes, the best in the world.

DR. WELSH: Q. There are not many people with a background in there, are there?

A. We have a large number of them. Each year they are coming in greater numbers.

Q. What is the average price for parcels along the lake?

A. A hundred dollars, I would say. I do not really know what prices are charged, but the valuation is as I say \$100.

MR. ELLIOTT: Q. What frontage would that be?

A. 109 feet frontage.

Q. You know Mississauga and Catchacoma Lake districts, that were surveyed and subdivided in 1929?

A. Yes.

Q. Do you know at what price lots were sold there?

A. No, I do not.

Q. You have no idea?

A. No.

Q. I have an idea that it was \$200, but have any of those lots been sold?

A. Not to my knowledge.

Q. Do you know what the cost of survey was?

A. No.

Q. Do you know who prompted that survey to be made?

A. No, I do not.

HON. MR. NIXON: Do you know yourself?

MR. ELLIOTT: That is what I am trying to find out.

MR. DREW: Q. Well, Mr. Crosbie, I think we can reduce what you have said to this, that if there were some quick and satisfactory way of effecting sales of these summer resort properties, you are convinced from your experience that it would greatly increase the sale of islands and summer resort lots, is that so?

A. No, I would not say it would greatly increase it.

Q. Would it increase it?

A. It would undoubtedly increase the sales.

Q. Why do you qualify it by saying that you do not think it would greatly increase sales?

A. I think there is a service being given now which is meeting the needs of the applicants. While it may not be as speedy as is desired by the applicants for grants, yet there is the service being given.

Q. I have this in mind, that after all, these summer resorts are not only available for us, but we have summer resorts and islands beyond anything that our own population would use, and it is one of the rather valuable assets which we have by which we can attract money from outside of Canada?

A. Yes.

Q. And I would be strongly inclined to think that people who come here for summer holidays would be very much impressed with the desirability of buying an island, if they found that there was some means by which they could buy it within a few days, and could get it within the time that they are still interested in an island or waterfront lot, at the very time that they become interested,—would not that be reasonable?

A. Quite.

Q. So that there would be a considerable advantage in devising some method by which these summer resort islands and waterfront lots could be disposed of quickly and easily, other than having to wait?

A. Yes.

Q. In all fairness, you do feel that there ought to be some method devised for dealing with this type of island and waterfront property, which actually appeal to people during the summer season of the year?

A. I say it is desirable, but I am not able to say that the system we have at present, that the cost of the better system would be justified. I am not able to say that.

Q. I am not asking to express an opinion upon that, because, after all, the cost of establishing the other system would have to be worked out, because you say that it might take six or seven months to get a thing through after making the application?

A. There is a possibility of it taking that long.

Q. Would it not also be an assistance if within areas being mapped out, there was a fixed price which people could see when they wanted waterfront property?

A. Oh, decidedly it would be very much better.

THE CHAIRMAN: How many applications are received in a year?

A. They are not received directly in my office. They are also received by the Crown Lands Department.

MR. ELLIOTT: Q. Would it not eliminate a lot of administration cost if you had the prices fixed and the property surveyed, because you must know that a lot of applications and reports made now would be altogether eliminated if you had the information such as Colonel Drew suggests?

A. Under the present system, there is no duplication once a lot is asked for and inspection is made. With an inspection of an area there may be a lot of work done on lands for which there is no sale,—such as at Katchama.

MR. SPENCE: Do the applicants come to you directly?

A. No, they go to the local office, or to the land agent, or to the office here.

HON. MR. NIXON: There are few sales made?

A. Yes.

Q. I notice that there are only 190 acres in the whole province, and I think, in the County of Hastings, there was only one sale made in the whole year.

THE CHAIRMAN: And that was in the Township of Hungerford.

A. Tweed is in the Township of Hungerford.

MR. DREW: From a practical point of view, when someone is in that area and finds an island, to whom do they go?

A. They write directly in to Toronto, or to the Crown Lands agent, or if they come to me I will accept their application.

Q. Supposing, for the sake of argument, a visitor arrives at Madoc and then travelling north to Bancroft, sees some spot that he would like to go to, to whom would he go for information?

A. He could get the information from the Crown Lands agent, or from the Forestry Office in Bancroft, or in Tweed.

Q. Is there any system of informing tourists in regard to the places where they can obtain information as to the leasing or purchasing of lands?

A. Yes, all our places are advised, and there are publications and documents which are given out by the Tourist Bureau, and there are also publications issued by the Department upon the request of those interested in summer resorts.

Q. I recognize that to some extent it is covered, but, if you feel like expressing an opinion, I wish you would do so. I know that the tourist information has become increasingly useful, and that visitors to Ontario are greatly assisted by the material they are handed when they arrive. Do you not think it is obvious that it might attract them very much if they could be informed in some printed circular that arrangements exist whereby they could get immediate title, at such and such points, to islands or other territory that they might desire in that area, upon application to so-and-so?

A. It would be desirable, but there are difficulties.

If a man wanted to purchase patented land, from a man who has hung onto the land, there is considerable difficulty in making descriptions of land and transfers of title.

Q. They are not difficulties which involve delays of months, because transfers are being made of land in cities right along; and while this is not under the Land Titles Act, yet there is provision for properties being placed under the Land Titles Act; and, after all, all this land could be placed under the Land Titles Act, and once that was done, there would be no difficulty in providing a ready and easy means for handling applications. If that were done, I think you will agree with me that it might be an attractive feature to tourists who might wish to acquire land by lease or purchase, might it not?

A. Oh, yes, it would.

DR. WELSH: Q. Does the Chamber of Commerce in the City of Belleville or the Publicity Bureau, play any part?

A. I have interviewed some of the employees of the Chamber of Commerce, but I do not think they have sufficient knowledge of the methods of securing land.

HON. MR. HEENAN: Mr. Crosbie, this Committee is really anxious to find out if there is any better system than we have at the present time. I do not want you to hesitate to criticise, or to show any better system than we have. Generally speaking, an employee is a little loath to say that something might be better than it is. We do not want that, but we want your real, practical experience and opinion.

The situation, as I understand it, Colónel, is this: We have such a large area in Ontario, and some people come from the outside and they see some beach or some plot of ground, or some island that they would like to have. Of course we have not got Tourist Bureaus with all the information available so that you can just walk in, like you can into a Land Titles office. When they get in to make enquiries, I would say that in nine cases out of ten they cannot locate the island that they have been looking at. They go over the map and say that it is this one, or that one. All that takes time.

Then our department has to find out whether that island has already been leased to somebody else. Very often an island which will appeal to somebody passing by has been leased already to somebody else, and they are not carrying out their duty by building a cairn of a certain standard.

Then they come to our department, and our department does not want to shut the other party out; and they inquire from him whether or not he is going to go on with the development which he ought to have done in accordance with his lease. So we correspond with him for a while. That takes time. All the time that that correspondence is going on, the applicant is looking for an answer, and our department cannot give him an answer. And, in the event that it is free, and we say, Yes, you can have that piece of land, but in order that we may describe it properly, you must have a survey made. Well, he does not want to have a survey made of it, because that would cost him too much.

All these little things amount to a great deal of delay.

I do not know what better system we could have with regard to giving information. To go out and survey the whole province for all available territory, would be going to cost this province a lot of money. And if a man asked you for a survey and you did do it, it might be that he would not buy it anyway. I might say that we are in a pioneer state as to such laws.

MR. DREW: It is obvious that in view of the War, there would be a greater appeal to visitors and tourists from the United States than ever before in our history, and we ought to have the idea in our minds that visitors from the United States would be more inclined than ever before to buy islands and other waterfront property, than they have ever been. And that condition may last for a few years to come.

It is difficult to realize why people would be sufficiently interested to wait six or seven months to get title to an island, while, if some effective system were worked out, it could be done within two or three days.

The point I have in mind is that under the Land Titles Act, any area can be put under the Land Titles Act upon the fulfillment of certain requirements. Any people who own these lands could put their lands under the Land Titles Act. It would be much cheaper to have the whole thing done at one time. And, while it might mean the expenditure of a fairly substantial sum of money, that cost could be absorbed in the price of the property.

If a purchaser pays an amount for an island, nobody would feel that he was paying something in it for the survey. The cost of the survey might be included in the prices.

In this province we have hundreds of thousands of islands which can be sold, and by the very process of selling we attract year by year money from people who would spend money upon that very place. And at this time when there is a greater desire upon the part of people to visit Canada than at any past time even during the great War, it seems important that some speedy method should be devised.

I can understand an objection to any very ready means of transferring property from one person to another; but under the Land Titles Act every thing could be made so that you could provide for title in two or three days.

THE CHAIRMAN: If you sell the whole of the island, even by name or number, it is quite easy to find out whether island number ten has been sold or leased, and if not, to sell it.

But we have thousands of lakes in the north country which can be used as summer resorts. We do not know on which island a tourist would want to buy a few acres; and if we were going to get ready, we would have to survey the land around hundreds of lakes, which would make a tremendous expense.

Mr. Elliott, as I remember, mentioned the land around one lake, of which not one lot has been sold.

MR. ELLIOTT: Because the price was too high. The rest of the available land has been sold.

THE CHAIRMAN: Of course if the neighbours ask a less price than the Government, they might have the say. But if you have to ask Parliament to spend a large sum of money to survey land around a particular lake, while the people's fancy would go to another lake, it might change the whole picture.

MR. ELLIOTT: Of course, Gull Lake is coming into demand?

A. Yes.

Q. People were up there last fall and were trying to find out what it would cost to get building sites, and there were various views of what the cost would be, and it probably would be increased.

If the property could have been purchased at the same price that was paid by two people a year ago, it possibly would be sold.

I suggest that something should be put in the hands of the authorities at Bancroft. I think it would be well.

THE CHAIRMAN: You know what it costs to survey land around lakes. The members here know that there are thousands of lakes which would make wonderful summer resorts.

Parliament might be asked to survey around every lake.

DR. WELSH: If you sold an island or land at a lake, it might keep the others off.

MR. ELLIOTT: If you get a surveyor to make a survey and descriptions,— I think in most cases descriptions should be furnished by the Department.

THE CHAIRMAN: As a matter of fact, the land in the north country is under the Land Titles Act. And I think, Mr. Cooper, you are more conversant with the land titles up north than we are here.

MR. COOPER: Yes, and they can be transferred very quickly.

HON. MR. HEENAN: At one time the Department sold islands outright, and I agree it would be better to sell land for a small amount and keep people there. But the fact is that if you sell it outright, and if they leave it, you cannot sell it to somebody else. I think that has been the experience.

In the early days the Government surveyed and sold practically all the islands in the Lake-of-the-Woods, and now they are idle and nobody will buy them.

THE CHAIRMAN: Mr. Heenan, what would you think of disposing of islands or summer resorts under lease with a proviso in the lease, that if the lessee within a year or a certain term of years spends a certain sum of money in improvements, then you would be entitled to the land.

HON. MR. HEENAN: Yes, I would be in favour of that. In fact, I think we have disposed of some in that way.

There is a case in point. Americans came in over the Fort Frances Highway and if they spotted an island they would like, they go to the Crown Lands or the Forest Department, and find out whether it is in the Crown. It might be just the size of island that the particular man would want, three, four, five, six, seven acres. Such a man probably would have a good many Americans come to visit him, and he would have to put up a house costing five to ten thousand dollars,— some of them up there cost as high as fifty thousand dollars. He would like to own the land. We would say, if this man wants to have a proviso, we might sell the island to him.

Another man comes in and wants an island all to himself, so that nobody else could come in on it.

MR. COOPER: Q. It seems to me that a person who wants to go in, would

want to know in advance how much he is going to have to pay for that land. He does not want to pay a license year after year and not know when the title would be got from the Crown.

HON. MR. HEENAN: I do not know what the Chairman would do, but I would have no hesitation,—

THE CHAIRMAN: I cannot believe that there would be many sales, because, according to this Report for last year, throughout the Province the total area of islands sold was 213 acres; and on the mainland 198 acres. The whole together amounting to about two-thirds of a square mile.

HON. MR. HEENAN: And if the province went to the expense of making surveys, it would be a tremendous expense.

THE CHAIRMAN: I would not approve of the province making surveys of all these lands; but I would approve of the lease providing that the lessee might have title within two years if he would spend a certain sum of money. I think that would help to get people into the north.

MR. W. A. NIXON: Would you extend that to tourist camps as well? Up at Nipigon there is over a million dollars expended in tourist camps and cottages; and the tourists are claiming the right to own the property. They say it would be more of an incentive to improve their properties, where they would invest if they really owned the land. It is in the Park Reserve.

HON. MR. NIXON: And a different policy necessarily must apply there.

MR. W. A. NIXON: That is very true, but nevertheless, this is one of the problems which exists there.

MR. CHAIRMAN: I was told this morning by Mr. Ferguson, the witness, that in the Timagami the leases were for twenty-one years, with the right of renewal, but in other places we are told, the term of lease was for seven years.

HON. MR. HEENAN: That is practically the system that we have now.

MR. ELLIOTT: In every case, Mr. Heenan, when a man buys property, he has to undertake to build a cottage in eighteen months before he gets his patent, so that there is not only the small bit of revenue from the sale of the land, but you are encouraging further investment.

HON. MR. NIXON: I suggest, Mr. Chairman, we go on with examining the witnesses and leave this discussion till later, because it is costing us money to put this down on the record you know.

SELBY DRAPER, sworn:

THE CHAIRMAN: Q. Mr Draper, you heard the discussion that took place a moment ago?

A. Yes, sir.

Q. Is it a general policy of the Department—I am speaking more particularly of the northern country now—when a man asks for a five-acre lot or for an island for the purpose of summer resort, is it the custom of the Department to give him a lease with a clause providing for a patent upon the accomplishment of certain work?

A. Generally speaking, no. The majority are sales of summer resort parcels.

Q. The majority are sales of summer resort parcels?

A. The large majority, yes.

Q. When we were dealing with it this morning my impression was—I may be wrong—that in the north country you did not give patents, you gave leases or licenses of occupation?

A. I think that evidence has to do with water lots perhaps.

Q. No, we were dealing with islands, because I submitted to Mr. Ferguson the case of an island of so many acres on which a lease was given to a private individual and he told me that the rental price would be checked up every seven years, so it certainly was not a water lot?

A. No, I see. Well, there are a few leases which are issued on a three-year and a five or seven-year basis, but generally speaking that is not the rule. As I say, the majority of summer resort parcels are sales and one of the conditions of the sale is that when they build they are entitled to their patent. They must build within a year and a half but they may build within a month and a half and get their patent.

HON. MR. HEENAN: Q. How long have you been in the Department, Mr. Draper?

A. Thirty-five years.

Q. Is that all? Has most of your service been in this particular branch?

A. Yes, sir.

Q. All your service has been?

A. Well, it was more general in the first five or ten years.

THE CHAIRMAN: Q. Have you a copy of the 1939 report of the Minister of Lands and Forests?

A. I have now, yes.

Q. Will you look at that, on page 71?

A. Yes, sir.

Q. That is a statement of patents, etc., issued during the year ending March 31, 1939, and I notice you have on the first line "Public Lands Patents 356". Now I suppose that would include all patents for agricultural lands, summer resorts, etc.?

A. No.

Q. No?

A. The total is 623 out in the margin on the right-hand side.

Q. No, but you have several more lines, "Free grants patents, pine grants patents, pine releases, transfers (townlots), patents, miscellaneous patents and vesting orders?"

A. Yes.

Q. That gives you a total of 623?

A. Yes, that is what I say.

Q. But the public lands patents would include summer resorts as well as agricultural lands, would they?

HON. MR. NIXON: You have your summer resort patents on the previous page.

THE CHAIRMAN: Yes, but this is a summary.

A. I think the summer resort patents appear on another page.

Q. Isn't that a summary of all the patents and all the licenses and so on issued?

A. Yes, sir.

Q. Well then, they would be included in your summary, wouldn't they?

A. Yes.

Q. Now if you go farther down to licenses of occupation around the middle of the page you will see that licenses of occupation for lands number 368?

A. Yes, sir.

Q. I don't suppose these would all be for summer resorts?

A. No.

Q. But the greater part of these would be for summer resorts?

A. I wouldn't say so.

Q. I am asking you the explanation, Mr. Draper?

A. Yes. Licenses of occupation issue for many other purposes; for instance, for pasture, ranching—

Q. Lands under water?

A. Lands under water—water lots.

HON. MR. HEENAN: Q. Lumbering?

A. In some cases, yes. And for various other minor plans and schemes that people have, such as maple syrup operations.

THE CHAIRMAN: Q. I might shorten this by making the suggestion, Mr. Draper, could you prepare and file with the Committee a statement showing how many summer resorts were disposed of by the Crown during the last year, during 1939?

A. Yes, easily.

Q. And how many were by lease or license to be followed by a patent?

A. Yes, we can do that easily.

HON. MR. HEENAN: Q. You heard, Mr. Draper, the discussion with regard to the delay that occurs when there is an application made for say a summer resort. You might give an explanation of what has to be done in connection with it; just take any one for example. A man wants an island or a corner of some lot, maybe away out of what might be regarded to-day as civilization. You might just give the Committee an idea of the different steps he would have to take and what might cause the delay?

A. In the first place, it depends altogether on the season of the year that he makes his application.

In the next place, it depends on the location; that is, whether it is accessible, or whether the Department has any information, even in a general way, as to the land about which he is enquiring.

And the other delay, if any, has to do largely with the applicant in securing his plan of survey, in case it hasn't been surveyed. Sometimes it is difficult to secure the services of a surveyor, and after he makes his survey it is sometimes, very frequently, some weeks before he sends his plans to the party or to the Department as the case may be, because when in a locality in a township on a lake, he often makes several surveys on the same trip, and that is largely the delay in my opinion, is getting the survey where survey is necessary.

HON. MR. HEENAN: Q. Then, after you get this application in, you have to satisfy yourself that you have not disposed of it or haven't promised it to somebody else?

A. Yes, sir. And we have found cases where, even with a survey, there have been errors. One case in point, where an island had been surveyed and the surveyor went in from one side of the lake, he surveyed an island and plans were laid down and the island was sold. In about two years after, another man came along and applied for an island in the lake, the lake, if I remember, had about seven islands in it all fairly close together, and the surveyor came in from the other side of the lake, tied the island in to another point on the shore of the lake, and when the Surveyor-General went to lay down the second plan, he found it right on top of the other island and not quite the same shape, but practically the same area—it was the same island. And that proves the necessity of getting a survey of all parcels of that kind; very dangerous to do it otherwise.

MR. DREW: Q. How is it actually handled in the Department, Mr. Draper? Who actually handles it when it comes in, the application?

A. Well, our Department is divided into three or four groups and a clerk usually handles the applications for a certain district, and the procedure is that when an application comes in, the first thing to do is to search and see if there has been any other correspondence respecting this particular part, either by that individual or any other individual back many many years, and if we are satisfied from the correspondence that there has been no prior application for that particular parcel, then we ascertain if it has been reported on in a general way, and following that, we either order an inspection or a survey, as the case may be, and there is necessarily some delay sometimes in making an inspection, because our field men have other duties and are delayed to a certain extent in getting their reports.

Q. I am not being critical of what is taking place in regard to this, because, after all, that is simply one of these developments which must evolve as the demand increases, but it does seem to me that the method you have described is a particularly disadvantageous one for people who are either visitors in this country and want to go to a definite place, get some place to stay when they are there, and have no desire to conduct a long-range correspondence or actually visit Toronto while they are here, possibly in connection with it?

A. It is not necessary to come to Toronto. They make their selection first, before we know of the parcel of land they are talking about, you see; they must make their selection.

MR. W. G. NIXON: Q. Under present regulations an applicant for a summer camp site, for instance, Mr. Draper, he must erect his building before title is granted?

A. Oh, yes.

Q. That is a safeguard?

A. To prevent speculation in summer resort property.

HON. MR. HEENAN: Q. And he can readily get the information as to whether or not that island or location is still in the Crown, he doesn't need to come to Toronto for that, does he?

A. No, but he can correspond with Toronto.

Q. Yes, but it is not necessary to correspond with Toronto as a preliminary, he can find out from the local offices, can he?

A. Generally, yes.

THE CHAIRMAN: Q. Mr. Draper, in the years you have spent in this office I suppose you have run across cases where some land had been staked under the Mining Act and it was subsequently applied for as a summer resort, or vice versa?

A. Yes.

Q. So that in any event you would have to search in the records at Toronto to find out if the land was available?

A. Absolutely—there would be no other place we could get the information.

MR. DREW: Q. Mr. Draper, it will be necessary for you to examine the records, will it, to find out the lots that were sold for summer resorts—you haven't got that information available?

THE CHAIRMAN: The number of patents issued for summer resorts.

A. Yes, we have the number of patents, I think, here.

THE CHAIRMAN: No, but I asked you—that is what you are referring to?

MR. DREW: Yes.

THE CHAIRMAN: Q. I asked you a moment ago to file a statement?

A. I will get that, yes.

MR. DREW: In 1939 we have 356 sales of lands, 368 licenses, and so on, but it is not analyzed.

THE CHAIRMAN: That is what I want Mr. Draper to get, a statement showing the number of sales, leases and patents for summer resorts.

MR. DREW: Q. And you might perhaps add to that, Mr. Draper, some of the forms you use?

A. I beg your pardon?

Q. You have printed forms of course of sales —

A. Yes.

Q. And licenses of occupation?

A. Yes, sir.

Q. And leases that you use for summer resorts?

A. Quite.

Q. Do you use a different lease for lands in Provincial Forest Reserves than lands in other parts of the province?

A. No, the same lease form, modified perhaps in some instances to meet the situation.

Q. Well, you might file perhaps a copy of each one of those documents?

A. Yes, sir.

HON. MR. NIXON: Why not include in that the number of applications that have been made in the year and not finally dealt with?

THE CHAIRMAN: Yes.

MR. ELLIOTT: Is that applications by letter?

THE CHAIRMAN: Applications made generally to the Department for summer resorts.

MR. ELLIOTT: Made by letter?

THE CHAIRMAN: Made anyway—personal applications.

MR. DREW: Q. Mr. Draper, how many people would be working at this?

A. Do you mean on an individual application or in the Department?

Q. In the Department?

A. On this particular class of application.

Q. Yes?

A. Well, it would vary according to the season, you see.

Q. Yes?

A. As I say, the work is divided and one clerk, for instance, might handle the correspondence in connection with applications in the Tweed agency for instance and another in Parry Sound and Muskoka and another in one of the other districts.

Q. Would there be any way of estimating the cost of the administration of these properties?

A. I would think so, in a general way as to the —— You mean the salaries paid for that service?

Q. What it actually costs the province to handle the sale of these summer resort properties?

A. Well, they are not separated from lands sold by sale for farm purposes

or free land grant, it comes in in the general way of business, all applications are dealt with in a much similar manner. This time of the year, for instance, we would get perhaps five or ten percent of the correspondence might be for summer resort—perhaps not that much, perhaps two percent at this time of the year of the entire correspondence of the Department would come to it for land for summer resorts, so that we don't segregate that particular duty.

Q. When you are preparing the statement will you accompany that with a statement as to the number of acres sold?

A. We have that, the acres sold, in the report.

MR. DREW: Are these all summer resorts?

THE CHAIRMAN: Yes—it starts at page 65.

MR. DREW: Q. Have you the figures of the sale price of these patented summer resort lands?

A. No. We could get the total. It would be quite a little job though, but we could get it.

Q. Isn't that separated now in your books?

A. In a way, yes. We keep the summer resort sales separately.

Q. That is what I mean, you could get the total amount even if you didn't have the individual items?

A. Yes.

Q. Then will you have that at the same time?

A. Yes.

HON. MR. NIXON: Q. You have the individual areas set out here anyway and there are very few of them?

A. Yes, there are very few; the prices vary somewhat.

Q. It wouldn't be somewhat of a job for you to check or a clerk to check the individual transactions too?

A. No.

THE CHAIRMAN: Q. Do you keep a separate account of the rentals or annual charges received from summer resorts?

A. Yes.

Q. Would it be possible then for you to include that also in your statement?

A. Yes. But don't confuse, please, the revenues derived from summer resort leases or licenses, because it is very small compared to the proceeds of the sales.

Q. No, but you have I suppose a number of islands or areas which were let under leases?

A. Yes, sir.

Q. And what is the annual income to the Department from those leases?

A. Yes.

Q. I am speaking only of summer resorts?

A. Yes.

Q. And if you have any areas under license of occupation I would like to have the same information?

A. Yes.

THE CHAIRMAN: And this could be filed as Exhibit 41.

EXHIBIT NO. 41—Filed by Mr. Draper: Statistics from Department of Lands and Forests concerning summer resorts.

HON. MR. HEENAN: Q. Mr. Draper, does a situation like this often occur, that a person applies for a summer resort and you find when you are about to dispose of it that someone has staked it out without permission and built?

A. Yes sir, we find that.

Q. And then there is the dickens to pay with the local member if you put them off, isn't there?

A. We don't deal in politics in the Department.

HON. MR. HEENAN: You see, Colonel, our experience has been in a great many cases people will build on Government land and then apply for it afterwards. We might have two or three applications in in the meantime.

MR. DREW: That is one way of getting squatters' rights.

HON. MR. NIXON: Possession is nine points in the law, isn't it?

MR. OLIVER: Q. What month would you say there was the largest number of summer cottage applications—July or August?

A. Yes.

MR. DREW: Q. There would be no way that you could state here the administration costs of this part of your work? Is there?

A. No, I don't think so.

Q. Are the costs of the Land Branch as a whole set out separately in this report?

A. No. I think it appears in Public Accounts.

HON. MR. NIXON: Q. The Public Accounts would include it?

A. Yes.

MR. DREW: Q. But not in here?

A. No.

THE CHAIRMAN: Anything else?

All right, Mr. Draper, thank you.

J. A. BRODIE, sworn:

THE CHAIRMAN: Q. Mr. Brodie, what position do you hold in the Department of Lands and Forests?

A. Forester in the Department of Lands and Forests.

Q. How long have you held that position?

A. I was appointed Assistant Forester in 1927 and Forester in 1934; I think that is right.

Q. And I understand you are now in charge of the Fire Protection Branch?

A. Yes, I have taken that over in the absence of the previous head who has joined the Royal Air Force.

Q. That is Mr. Mills, is it?

A. Mr. Mills, yes.

THE CHAIRMAN: Do you want anything from him, Colonel Drew?

MR. DREW: Q. Mr. Brodie, have you been actively connected with the Forest Fire Protection problem?

A. That has not been my main duties until recently; I have been connected with the Forestry Branch from the very beginning in 1923 when I came on the service. Forest Fire Protection was carried on as a separate department of the Forestry Branch during that time.

Q. Are you in charge of that now?

A. Fire Protection, yes.

Q. Well now, a suggestion has been made in different places, I don't mean necessarily in Ontario, that it is cheaper to patrol the forests by renting machines from existing companies than to own machines outright. Can you express any opinion on that?

A. That is aircraft you are speaking of.

Q. Yes?

A. The aircraft end of protection was started in the Ontario Branch about 1924. Now at that time it was virtually impossible to rent aircraft. Since the initiation of that commercial aircraft work has developed very materially. We might now be in the position in which it would be cheaper to employ it, to actually hire it, than use our own services, I am not prepared to say whether we have reached that point yet or not, but it certainly has not been for the greater part of that period that our service has been in operation.

THE CHAIRMAN: But would these private aircraft always be available when you need them?

A. Yes.

HON. MR. NIXON: You have hired a great deal of flying apart from your own branch?

A. Yes. In years like 1936 when there is very heavy suppression, aircraft are hired in addition to our own.

MR. SPENCE: Have you any estimate of the flying hours, or the minimum?

A. For our own service?

Q. Yes.

A. They are given in the annual reports of each year.

THE CHAIRMAN: Page 121.

WITNESS: Page 121 of the report of 1939, Table 2, shows hours flown on various phases of flying operations.

MR. SPENCE: Page 121?

A. Yes. That gives the average for 1924 to 1928 in the first column, and 1938-39 in the second column.

THE CHAIRMAN: Pardon me if I correct you. It is not the average; I believe it is the total.

A. Yes, it is the total. Excuse me.

HON. MR. NIXON: These are all your own machines?

A. Yes.

Q. This does not include the flying that you rented?

A. No.

DR. WELSH: Is it 28 machines you have in the service?

THE CHAIRMAN: The list is there. Yes; 28.

HON. MR. HEENAN: My estimates show that the cost of special flyers varied all the way from \$40,000.00 in one year down to about \$5,000.00. It all depends on the necessity.

THE CHAIRMAN: You have the figures on page 119:

"The cost of purchased flying from the year 1924 to 1936 inclusive averaged over \$45,000.00 a year, while the cost during the last two years has been altogether slightly over \$23,000.00. This notable cost differential justifies the belief that an adequate transport balance in our fleet is economically justified."

MR. DREW: What is the condition of these machines at the present time?

A. That question really should be asked of the Chief of the Air Service.

Q. Who is that?

A. Mr. Cronsford.

HON. MR. HEENAN: I can give you the information, Colonel. Most of them are old machines ranging anywhere from 6 to 12 years of age.

HON. MR. NIXON: The Federal Government inspectors say whether you can take a machine up or not?

A. Yes.

Q. Or whether it has to be grounded?

A. Yes.

HON. MR. HEENAN: At the present moment it is questionable whether we will be able to use any of our machines after this year, some of the old machines, because of the fact that the Federal Government will not permit their use. They are not airworthy; at least, they will not be airworthy after this year.

MR. DREW: How many would that affect?

HON. MR. HEENAN: I would guess that would affect more than half of them right now.

MR. COOPER: Is it your opinion, Mr. Brodie, that this type of air patrol is necessary for the efficient preservation of the forests?

A. The greatest present use of aircraft and probably the future use, too, will be for rapid suppression work. In the initial phases, before the tower system was developed, aircraft were used very largely for detection work; that is, actually going out and spotting the fires and taking the reports back to headquarters.

At the present time the tower system has been so rapidly developed in the north that detection is very largely dependent on the tower system. And the use of aircraft is gradually becoming much less a detection service than a suppression service. And that has entailed the transfer from the light detection machine, which carries one or two passengers, to a type of transport machine which will carry up to a thousand pounds and operate in and out of fairly small lakes throughout the north country.

Q. But you would require a lesser number of machines?

HON. MR. HEENAN: I did not get that, Mr. Cooper.

MR. COOPER: I say he would require a lesser number of machines.

HON. MR. HEENAN: Oh, yes.

HON. MR. NIXON: A different type of machine.

WITNESS: Initially the air service was practically wholly on detection service. The early type of machine, which was mostly the H.S.2 L. actually could not get in and out of a very small lake with any load, and they were not much used, the early machines, for suppression work. They have developed aircraft now that will carry a fairly good load, take a fire crew in with the equipment, a small fire crew, and land on a small lake and get out without any outstanding danger. With that development in aircraft as well as the development of the detection system by towers we can now use the aircraft essentially for suppression work.

HON. MR. HEENAN: If we were to depend on commercial flying would we not be under this handicap; that the commercial machines might not be there when we wanted them and the commercial machines would not have the equipment in them which we have in our own machines? In other words, if we hired a commercial machine we would have to equip it with pumps, hose and certain other things that we have in our own machines now?

A. Quite right.

MR. DREW: Have any estimates been obtained of the cost of hiring machines to do this work?

A. You mean of taking over the entire work of the forestry branch?

Q. Yes.

A. Well, if there is, I have not had anything to do with it. I think there have been officially with the Department. There was some talk about it at different times.

Q. But you do not know anything about it?

A. It has not come through to me.

HON. MR. HEENAN: There have been several propositions made to me by the different companies that they take over the different machines and supply us with flyers. Up to the present time I thought it was better for the government to retain that service themselves.

MR. COOPER: Does aerial photography come under your Department?

A. It is under a special branch.

Q. There have been planes hired for that purpose?

A. Yes.

Q. I beg your pardon?

A. Yes, there have been.

HON. MR. HEENAN: We have one machine ourselves.

MR. SPENCE: What is the total cost? I notice on page 121—\$109,428.53. That is the total cost of the flying operations for the provincial air service in 1939? Turning over to page 122 is shown Transport aircraft. It all comes under the provincial air service.

MR. DREW: Those are flying hours.

MR. SPENCE: Oh, I see. Well, what is the total operating cost for the provincial air service?

HON. MR. HEENAN: I do not think you will find that here, Mr. Spence. I think you will have to go to the public accounts for that. It varies from year to year.

MR. SPENCE: There is considerable controversy about this provincial air service.

THE CHAIRMAN: You have it shown on page 40:

"Air service—salaries.....	\$166,023.45
Operating Expenses.....	154,127.07"

MR. SPENCE: Oh, yes.

THE CHAIRMAN: Are there any further questions from this witness? Thank you, Mr. Brodie.

The Committee will adjourn until 10.30 to-morrow morning.

At 4.30 p.m., Tuesday, April 30th, 1940, the Committee adjourned until Wednesday, May 1st, 1940, at 10.30 a.m.

TWENTY-EIGHTH SITTING

Parliament Buildings,
Wednesday, May 1st, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

L. J. BELKNAP: Called.

THE CHAIRMAN: Q. You are President of Consolidated Paper Company, Mr. Belnap?

A. Yes, sir.

THE CHAIRMAN: All right, Colonel.

MR. DREW: Q. Now, Mr. Belnap, we have been discussing here through different witnesses the major problems affecting the industry and certain measures of Government control directly and indirectly which affect the industry and one of the most important aspects of this discussion has been the consideration of the present method of prorating the production of newsprint and its effect on the industry and an attempt to find some concrete plan for future steps that should be taken by this Government, and presumably by the Province of Quebec Government in co-operation with the Ontario Government. I simply say that as a basis for the questions that I will ask. The suggestion is made that you should come here as a witness for the purpose of giving the viewpoint of one of these large companies directly concerned with the attempts that have been made to stabilize this industry. It perhaps won't be necessary to go through the details of the method of proration as Mr. Vining, President of the Newsprint Association, has outlined that quite fully, but I would like at the outset to have your own opinion and in your own words of the effectiveness of proration to date and any recommendations you would care to make as to ways and means in which proration may become effective in the future if that is desirable in your opinion. Of course I might point out in connection with that there is some difference of opinion even in regard to the problem of proration itself and I would like you to express an opinion as to your experience with proration.

I think perhaps, just to keep the record clear, I should ask where are your mills situated?

A. We have five mills, all in the Province of Quebec, one at Port Alfred up on Lake St. John, which is a tide water mill; we have one at three Rivers, which is a tide water; we have one at Cap Madeleine, also a tide water mill; we have another at Grand Mere, Quebec, about thirty miles from Three Rivers; another one at Shawinigan Falls, about twenty-four miles from Three Rivers; that is all. And then we have a sawmill at Pembroke, Ontario.

MR. COOPER: Q. What is the rated capacity of your paper mill?

A. The capacity of newsprint is 614,000 tons per year this year.

THE CHAIRMAN: Q. That is newsprint?

A. Yes. That is the official rating.

Q. Of newsprint?

A. Of newsprint, yes.

HON. MR. HEENAN: Q. That is the whole five mills?

A. That is the whole five mills, yes. Then we have a mill also which is a combination mill and it makes newsprint and also specialty papers, that is kraft paper, which is wrapping paper, bag paper, and all these various kinds of paper.

Q. Is that in addition to the five?

A. No. That is a combination mill.

Q. But that is included in the five?

A. That is correct, just another building on the same property, same grinders and so forth.

Q. That is included in the five?

A. That is included in the five mills, yes.

MR. DREW: Q. Then I understand, Mr. Belknap, that your newsprint production is under the present plan of proration?

A. Yes.

You wish me to give my opinion of prorating? Is that it?

Q. I think perhaps, yes.

A. I might say the results speak for themselves pretty well even though there have been exemptions. This industry has been in a chaotic state for the

past ten years and I think if anyone investigates very carefully the last two years since the advent of proration the newsprint industry has probably been in better shape than it has at any time during the past ten years. As ineffective as total proration has been it has been beneficial to not only the newsprint industry but every industry in Canada. I need not tell you that the newsprint industry is probably the largest employer of any manufacturing industry in Canada. Our exports of newsprint are in excess of those of wheat and there have been no subsidies of any kind in the newsprint industry. Only this week the Federal Government is paying to the Wheat Pool some \$50,000,000 for the deficit of 1938, and yet wheat in export value in 1939 was some \$10,000,000 less than newsprint.

We read and hear a great deal about wheat, but we don't hear very much about newsprint excepting some subversive things that are said about it and the newsprint manufacturers, so that I think so far as I am concerned proration has been of great benefit not only to this industry but to the people who are employed in it, to the citizens who live in the territories and towns in which there are newsprint mills and contiguous territories that supply the wood therefrom.

Since we have had proration there have been about forty million additional dollars brought to Canada as probably the result of proration. 1938 was not a good year, 1939 was a little bit better. That money was distributed in Canada among our people, not only the newsprint manufacturers but the secondary industries that supply all sorts of things. Take our transportation of newsprint products: My corporation in 1939 was responsible for about \$3,000,000 worth of transportation in and out; that is a secondary industry we will say to the newsprint industry.

Likewise our purchases from different sources within Canada amounted to another two and a half million dollars which gave work, gave employment, to other people in other industries. So that anything we can do to promote the newsprint industry and protect it is not only a matter for the benefit of newsprint itself but a benefit for the citizens of Canada very largely.

I don't know whether many people realize it or not, but most all of our Canadian dollars received for newsprint come into the country and stay here, from other sources, and we send out of the country practically nothing of our earned dollars for the purchase of anything that goes into the production of newsprint. Our corporation last year spent outside of the country six-tenths of one percent of its income in purchases for things that we had to have and couldn't obtain locally. Newsprint is a good deal like mining, it is one of our natural products, the result of it; our woodmen's operations for our forest products are really agricultural. It takes a tree probably seventy-five years to grow, whereas, it doesn't take that long for wheat to grow, but nevertheless I have had farmers tell me, who work in the bush who cut some timber themselves, that about the only cash they receive is what they receive from working in the bush, and therefore when they are not busy in the winter time with other things they are employed in the bush either directly or indirectly, which gives them considerable income.

I don't think perhaps that anyone would say they are entirely satisfied with proration, particularly as it has been conducted in the past, but I have never been able to find anyone who had any substitute that was economically

sound in so far as the country is concerned; therefore I must subscribe to proration as being probably the most equitable manner in which to handle this industry and, if it is worth saving, to save it—and I think it is worth saving.

Q. Well, what have you to say, Mr. Belknap, regarding the argument that is made not only against proration in the newsprint industry but in regard to proration in any similar industry, namely, that proration in the end promotes inefficiency up to a point where it becomes dangerous?

A. I don't think it does, Colonel. I don't think proration eliminates efficiency. I don't believe it in any way affects the man who is really an operator. I don't see why anyone should hold that it does. Proration, so far as economy from within is concerned, I don't believe there is a newsprint mill in Canada that is not struggling all the time to increase its efficiency and increase its sales; if they were not they would not spend these vast sums of money that they do in increasing their efficiency by things which they do within, perfecting their organizations and perfecting their sales organizations.

In the old jungle system before we had proration the downfall so far as income to the industry was concerned was largely created from within because of cut-throat competition. We can't blame the rest of the world for that—it is the Canadian industry that has been responsible for that—and it is the kind of industry that is different to most others in that you cannot stop and start mills by just turning the key in the door. And furthermore mostly all these mills are located in communities where there is no other business, there is no other industry, and if a mill is closed down grass will grow in the streets very shortly.

We have had some experience in having mills shut down and the expense of getting started, and the length of time it takes in case there were a sudden demand for paper announced being purchased, is enormous; you cannot start up a big mill that has been shut down for six months under \$75,000. To get it started again it takes you weeks and weeks to get your organization together, to get your mill in trim shape to produce. Furthermore, if you anticipate you are going to be shut down you are not going to invest money in wood and have it standing idle there for an indefinite period and deteriorate—wood deteriorates very rapidly you know. Wood, if it does stay on the pile a couple of years, in a block pile, is not fit to use any more for making paper; it is perishable stuff; and in calculating what our wood requirements are we are thinking this minute of how much wood we have got to have that will last us from June 1941 to June 1942, and that is predicated upon what we think is the amount of paper we are going to make between June 1941 and June 1942, and I will leave it to you that it just isn't a forecast, it is an estimate. That is one of our problems in this business, and the amount of money invested in those investments is very considerable.

Q. The reason I ask that question, Mr. Belknap, is, that while there may be very considerable differences between the nature of the products there is a very general, shall we say suspicion, of the results of proration having regard to what happened in Canada in an attempt to control the output of wheat, also in attempting to control the output of rubber from the British producing areas some years ago, and I am merely referring to a concern that seems to be

generally expressed that over a period of time it might produce the same result. You apparently don't feel there is any danger?

A. I don't feel that way. Of course after all newsprint companies are tenant farmers in that the monopoly of the wood is controlled by our governments and our investment in our mills is dependent upon the supply of that material; we, being tenant farmers, pay ground rent and we pay for the wood. So that we have got to do something to, I don't like to say "control", I think "regulate" the manner in which this industry is conducted and I think in fairness to our shareholders and our bondholders and our citizens it ought to be conducted in a way that we some time or other can pay some wages to the money there is invested in this industry, which we haven't been able to do in the last ten or fifteen years. I think the people who invest their money in this industry are entitled to some consideration, and they certainly haven't gotten very much out of it in our business in the newsprint industry, I don't know about the others.

We have a real dollar investment of about twenty-five thousand for each man's job. That is, in other words, for a man to obtain a job there has to be an investment of about \$25,000 per man. Now that includes working capital, to be sure, because that is real money that you have to have. Without that money there would be none of these jobs and I think that we must think about protecting the jobs and also protecting the money to a certain extent that is responsible for creating these jobs, and, as I say, I know of no other means of protecting that than through proration, which has been done in other industries.

I don't need to tell you the system of proration in the oil industry in the United States before the governments of various oil producing States got together and formed a central committee for the control of the production of oil. Through competition oil was selling at ten cents a barrel, which is terribly destructive from every standpoint. Well, with proration oil probably hinges around \$1.15 to \$1.25 a barrel, which is a fair price, which enables and encourages the producer to keep on drilling and producing, which is important. I think that maybe we are overlooking the fact that this industry was really the beginning of all industry in Canada very largely. Before 1910 we in this country were largely hewers of wood and carriers of water.

Q. I remember that expression, it originated in 1911 I think.

A. Yes. I am not sure of the date, around '10 or '11 or something like that.

But in this country, well, the amount of newsprint paper that was made at that time in the whole country could be made in six months by the Abitibi Company.

Then we prohibited the export of wood from Crown lands. Immediately the newsprint industry began to grow until to-day the production capacity is something over four million tons and the investment is a big one and employing a large number of people. That was the beginning. After that then all industry began to grow so that we were not confining ourselves to being hewers of wood and carriers of water—and this was quite a natural industry for this country. When this prohibition of the export of wood came

about newsprint mills and mills making other grades of paper began to develop very fast and the income of the country was very greatly increased.

I think that a cord of wood converted into paper is worth probably four times in our dollars that we keep within the country to what it is if we just sell it as wood. I might explain by saying that let us suppose for example wood is selling for \$10 a peeled cord, some place thereabout, and rather than sell for \$10 we convert it into paper, we will say that it would be \$40; the additional \$30 is pretty well kept within the country in our work that we are doing here, which is awfully important to Canada.

You will remember in this province,—I don't know when it was, but it seems to me it must have been twenty or twenty-five years ago—most all of the products of nickel and copper in the form of matt were shipped abroad to other places and refined and we were not getting the benefit of converting them into finished products. The result was, in this province, I don't know what the nature of the law was, but at any rate they prohibited the export and said that it must be refined within the province; the result has been another big industry has been built in consequence of that.

MR. DREW: Q. Now, Mr. Belknap, I had intended to come to that later but perhaps it would follow in sequence at this point since you have introduced it. You have mentioned at the time export was stopped that these mills then came into existence and that that was really the beginning of large scale Canadian industry. I assume that that observation means that in your mind it was the stopping of the export that prompted the establishment of mills?

A. I think so, yes; that together with the fact—and it became quite obvious—that they took the duty off newsprint in the United States. I think it was about that time, about 1911 or '10, but maybe that was done—I don't know—because of the fact it was difficult to get wood any more with which to continue the production of paper in large scale in the United States.

Q. Now, Mr. Belknap, as you know, to-day the subject of export is becoming a matter of very active discussion because export is rising very rapidly. What is your own opinion in regard to the wisdom of exporting raw pulp logs?

A. Well, I don't think we should export our wood. I think the reason for not exporting it is just as great to-day as it was at the time we prohibited it, and it was done for a purpose at that time, and I don't think the purpose has changed.

Q. Well then, do I take that you believe it would be wise to stop the exporting of pulp logs?

A. I do.

I think there are certain local conditions perhaps that might recommend the export of pulpwood to a certain extent, but I believe so long as we continue it indefinitely we are going to revert back to being hewers of wood and carriers of water. To a certain extent, I can't say there aren't extenuating circumstances temporarily that might make it necessary to export wood—employment

plays some part in connection with it, but that is only temporary—and that if we wish to develop our manufacturing industries we certainly should retain our wood, and I am not sure that we have got an awful lot of surplus; I don't know that we have. I am not a forestry engineer and I don't know very much about surplus of our available wood, but I think we want to think about it pretty carefully before we allow too much of it to be exported. The unfortunate part of it is, so much wood that is exported is taken from areas that are contiguous to good shipping facilities and it means that our own investments that consume wood have got to go back to find wood at probably very much greater cost.

I am not an expert on this wood situation at all but I do worry about our position sometimes nationally in connection with it.

Q. After all your worry about the future is one directly concerned with your own business and I can see that worry is based on ——?

A. I worry about it as a Canadian.

Q. I don't mean only that, but you have or must have some knowledge of the situation upon which you base that worry as to the future?

A. Yes, I have.

I might say in these last years we have had I think a number of people grinding their high yield pay dirt (in terms of mining) when they should be taking part of it and should be taking some of their high cost wood farther away so that their average cost would be down.

MR. W. G. NIXON: Q. Do you think we have room for more mills in Canada at the present time?

A. I think that we ought to really sell the products that we are capable of making with our present mills' average capacity. In the newsprint industry over a period of ten years our facilities have only been sixty-nine percent; in other words thirty-one percent of the capacity over those years in the industry have been standing idle. During the peaks of very short duration they have taken up a greater part of that capacity. Since my entering the newsprint industry, in the last eight years I have only seen one time in which (there were about four months out of the eight years I have been connected with it) we were operating at anything like capacity.

Q. Would that apply to chemical pulp as well as newsprint?

A. I think so. Particularly with regard to the general pulp situation. I think generally speaking the pulp situation has not done even as well as the newsprint industry has.

MR. COOPER: Q. On that question of export, your company I understand is in a little more favourable position than other companies with regard to certain wood that you have, at Anticosti, is it?

A. Anticosti Island.

Q. Yes?

A. No, that is not a favourable location for building a mill.

Q. No, but I mean if you wish to export you are permitted?

A. That is freehold, yes.

Q. And what pulp have you? How much pulp have you?

A. On that Island?

Q. Yes?

A. Well the cruises have shown there are about 15,000,000 cords.

Q. What about Peribonca?

A. Yes, that is a portion reserved north of the St. Maurice Watershed.

Q. And that is also exportable?

A. No, that is inland.

Q. And you say that is not exported?

A. It is not exported—that is Crown land.

Q. Haven't you some lands they call Seigniory lands?

A. No.

Q. You haven't any of them?

A. No. When I say we have not, I guess we have probably, oh, maybe fifty or sixty square miles and that is rather inaccessible for export. It may be exported in the sense that you can load it on cars and ship it out that way, but to export it abroad or by water it requires quite a bit of handling because it is far removed from transportation.

HON. MR. NIXON: Q. Do you export any wood?

A. No.

Q. Have you any operations on Anticosti?

A. No.

THE CHAIRMAN: Q. Are you the sole owners of Anticosti?

A. Yes.

MR. COOPER: Q. The reserves that you have on Anticosti, that is only good for export, isn't it?

A. Oh, no. We have in the past, a number of years ago we cut on Anticosti and loaded on boats and took it in here to our mills, the Port Alfred mill.

MR. DREW: Q. I don't want to break away from the particular point I was asking you about?

A. Well, you will have to ask me questions, Colonel; I haven't any plan or any thought of what you were going to ask me; maybe I get off the track here.

Q. I think I have been keeping you on the subject. In reference to Anticosti, was it not originally intended to erect a mill at Anticosti?

A. No.

Q. It was not part of the plan?

A. No. You see you could build a chemical mill on Anticosti or a ground-wood mill—not a ground-wood mill, a chemical, because there is no cheap power available for grinding, and of course in the chemical pulp process you don't need very much power and therefore that could be done there, but we have stayed away from it; we had some surplus capacity in pulp but we didn't get at it because it has never been a profitable business. As a matter of fact there are times when we can't sell it for anything like what it costs us.

MR. DREW: Q. Does that include bleached sulphite?

A. We don't make any bleached sulphite. We could, and I believe easily, without too much expense.

Q. Are you equipped to make it now?

A. Not to make bleached sulphite, no.

Q. The reason I ask that is that I believe there is substantial capacity for the manufacture of bleached sulphite in Canada at the present time?

A. Yes. Most of the time we have a surplus during the peaks as I say, but the only time I know of when we had a demand for bleached sulphite which might be profitable was in 1937, for a few months, and there is a good demand now, which is really unusual. Of course there is a good demand for bleached sulphite all right but I think we have to look at this over a long period of years; in other words, what is the load factor of the pulp industry over a period of ten years?—the investment is a permanent one.

Q. Again I am thinking of the observation you make as the basis of my question, which I thought perhaps I might ask later: In that respect don't you think, having regard to the history of the newsprint industry and the pulp industry in Canada, that there may be great danger of becoming too optimistic

about the sudden demand created through the effect of the war on the Scandinavian export? I mean, don't you think that having regard to our past experience it would be well for us to be extremely cautious in our estimate of future capacity based on that temporary condition?

A. Well, my experience in this pulp and industry is that with a little change in market conditions everybody gets enthusiastic and "Hurrah, boys, we are all set, it is going to continue in that way," and then begin to expand and spend a lot of money. In 1937 on one of our mills we spent half a million dollars to improve it—on part of it some changes were made in the mill that were really necessary whether we needed them or not—that half million dollars was used and operated for about four months and now it has been shut down ever since.

Q. Are you anticipating a possibility of utilizing that again?

A. Well, of course, no one can tell what we may need, but I don't see that we are going to this year unless a lot of changes take place. I don't see that. We might, but I doubt it very much.

Q. I do not want to indicate any personal pessimism about the future of this industry, but what I am concerned with personally having regard to our past experience in the newsprint industry as distinguished from newsprint production itself is the fact that very little encouragement in the past has been needed to expand far beyond normal producing need. Is that not so?

A. I think so, yes. I think we ought to devise ways and means of utilizing our investment and the possibilities we already have in the pulp and paper industry.

Q. In that respect we are still capable of meeting the normal needs both of newsprint and pulp for some time before we require any additional mill capacity?

A. I think so.

MR. COOPER: Q. Are all your mills operating?

A. No.

Q. How many are not?

A. One is not and the other is only partially operating.

THE CHAIRMAN: Q. Which one is closed?

A. Cap Madeleine.

MR. COOPER: Are you contemplating opening that mill?

A. Yes, it is a cheap mill to operate, but to open it we have to shut down another mill.

Q. What is its capacity?

A. It makes about 85,000 tons a year. We can operate that mill cheaper than we can some of the other mills for the reason that we are right on tide-water and because it is really part of another mill and does not take complete organization to operate. It is only a mile from our 'Three Rivers' mill, hence it cuts down a good deal of administrative overhead in connection with it, but when we operate it we will have to close another mill.

HON. MR. NIXON: Q. How long has that mill been closed?

A. About eight years.

HON. MR. HEENAN: Q. It is one of the mills which has been rated as zero under our proration scheme?

A. No.

Q. Did it have a rating?

A. Yes.

Q. It had?

A. It had.

MR. DREW: Q. Mr. Belknap, you have indicated your belief that it would be wise to limit our export of pulpwood in this country. Is that your opinion?

A. That is my opinion, yes.

Q. The answer so often given to that suggestion is that the pulp logs which we are exporting to mills in the United States are not making newsprint and consequently are not competing with mills in this country. I might explain in asking the question that I have been convinced for some time that the mere fact pulp logs go to particular mills making things which we are not making in Canada does not mean we are not releasing other pulp logs in the United States to other mills which would otherwise have to go to those mills which are now consuming Canadian pulp logs?

A. I would say that wood is wood, after all, and it does not make any difference whether it is wood in the United States from Canada. It is converted to some kind of paper over there. I do not know where it goes, but it may be that the wood which we export goes to mills which do not make newsprint or it might be going into newsprint mills so indirectly it would seem to me that it is going into newsprint. Do you mean that the wood we are exporting does not go into newsprint?

Q. Yes; that is the argument?

A. Well, I do not know about that.

Q. The answer to the contention that we should not export pulp logs is that it does not interfere with Canadian industry because it is being used in the

United States by mills which are not making products similar to products already made in Ontario and Quebec. I have this in mind, that after all the export of either pulp logs or pulp from Scandinavia is relatively small compared to Canadian production and it seems to me so far as the United States is concerned there is a certain maximum production or a certain maximum supply of raw material and that if we ship raw material from Canada to mills in the United States we are merely augmenting the raw material supply over there and making it less likely that mills will be set up here. Does that seem reasonable?

A. That seems reasonable.

HON. MR. HEENAN: Q. You spoke about the economics, Mr. Belknap. The raw pulpwood shipped from Ontario across Lake Superior to Wisconsin and around there, suppose the newsprint mills were limited in their pulpwood supply, would it not be uneconomical for that wood to be taken away from where the newsprint mills are located to where the pulp mills and book mills are located in Wisconsin?

A. Well, of course their idea is to get the wood at their mills as cheaply as they can and therefore they would take the wood from Canada which is most cheaply produced, I should think.

After all, wood is like paper or coal; the buyer is not interested in how much it costs at the point of production, but he is interested in how much it costs him where he uses it. For example, I know you can buy coal for \$2 a ton at the mine and I know my coal at the pile at the mill at which we use it costs \$6, so if I can get the producer to cut his coal ten cents a ton, he is doing a very good job if he can, but it does not make very much impression on the \$6 I pay for it. I think the same thing applies to the raw material used by the Wisconsin mill, or the paper to the publisher; how much does his paper cost him at the press room.

Q. The discussion was that by the Wisconsin mills using our pulp it retained in the United States wood for the newsprint mills. They were getting the benefit of this indirectly and conserving the raw timber. Is that not adversely affected by the distance they would have to haul that wood from one point to the other in the United States if they had to use their own timber?

A. It might affect them, but would they not come over here to obtain their raw material in another form; that is, in pulp?

Q. Move their mills over?

A. Yes, or buy from existing mills. Many of them, of course, buy from existing mills and many of them buy pulp from Scandinavia, as you know.

Q. Yes; they tell me they get their pulp from Scandinavian countries cheaper than they can take raw pulpwood from Canada?

A. Oh, yes. There is always reason for that. You can build a mill over there for 25 percent less than you can build it in Canada—that is, build a mill—because our cost of machinery, cost of bricks and mortar, steamfitters and

everything else, is three or four times as high, hence the final capital cost is much less than it is here and together with their lower cost of labour it makes it very difficult for us to maintain if we maintain the standard of living which we have.

MR. DREW: Q. As against that is it not true that the timber is more expensive to them than to us because of the necessity for their rigidly enforcing effectively distributed cutting?

A. I doubt that. I doubt that very much because they have very much cheaper labour in their woods than we have. For example, in Finland. After all, this thing which we call natural resources of trees in the woods, as a tree stands in the woods it is not worth very much, but immediately you pay for labour to put an axe into it it then begins to accumulate costs and from then on the different operations build up costs which forms this labour, handling and so forth, which is indirectly labour, which makes our costs very high.

With their restricted cutting over there and with their cheap labour I think their wood probably costs them less than ours. It varies, but mostly it costs less than our wood in our money.

Q. To go back to a remark which you made a few minutes ago in regard to the cutting of timber in Canada, you said quite definitely that the mills in this country had been high-grading the timber to get wood as cheap as they could. I do not think there is any doubt about that, or is there?

A. I think they had to do it back a few years ago. We just could not live. We could not keep on cutting if we did not do everything we possibly could to decrease the cost of our raw material.

In the province of Quebec up to two or three years ago our wages in the woods were one-half of what they are now and wages in the mills increased from 20 percent to 35 percent. We were in such bad shape we had to go to the government—I have forgotten when, but about 1933 or 1934—and ask, "Please, will you not reduce the stumpage dues in order to enable us to get by?" That did not do very much good because through cut-throat competition we went out and gave it away to the users of the products we manufactured.

I remember Premier Taschereau was incensed with the newsprint companies because after the government tried to do something to help them they went out and through cut-throat competition gave it away. The government profited none and newsprint manufacturers profited none. That was really the beginning of the thought to control these natural resources of ours. I do not mean "control" I mean "regulate". I do not like the word "control."

Q. Have you any suggestion as to methods which should be adopted in this country in regard to the control of cutting?

A. I have not thought very much about control of cutting. I think in the Province of Quebec our regulations on cutting are pretty good. I am not a woods operator and I only learned what I picked up from others in those departments, but I gained some impressions, one of which is this: It developed about two or three years ago that the companies who have leasehold properties

protect their properties and regulate the cutting to the exclusion of settlers who cut a great quantity of wood. They cut and do not leave seedlings. There is no thought or regard for protecting the future at all. A large quantity of wood goes from settlers' tracks, but they have no idea of conserving the forest and there is no control over them in the way they cut.

I think in the province of Quebec our regulations are pretty good in regard to cutting. We have government inspectors in the bush and our regulations are well-defined. I think we do a pretty good job in the conservation of our timber. I do not agree in many respects to some of the regulations being sound. I think they can be changed and probably improved just now.

Q. Such as ——?

A. Well, for example, these areas are not all alike. I have been in the bush when we cut in certain terrain which is rough and subjected to wind. We left standing timber of a given diameter in accordance with the regulations. Much of our timber grows well on top of the ground with the roots spread out and we cut the big trees under the regulations but we leave the smaller trees to grow up.

In certain locations if you go into territory a year or two afterwards you will find these trees we leave have been turned over like this by the wind (indicating) and the roots standing up in a vertical position. I sometimes think it would be better for us to cut those smaller trees and leave the saplings which would not be turned over by the wind because they do not grow so high in the air. These trees grow small in diameter and very high so that a gust of wind turns them over very easily because the roots are not deeply embedded. I think in some areas properly selected we should cut those trees if they are below the authorized diameter and leave the little fellows which will not be turned over by the wind.

MR. SPENCE: Q. Does that create a fire hazard?

A. No—you mean these trees being turned over?

Q. Yes?

A. Yes, I think they do.

Q. Because you leave the saplings anyway?

A. Yes. And if there were a fire, of course it would destroy the small saplings we leave.

I say these are my ideas from observation. I am not a woodlands operator, but I know we spent a lot of money in there and I take a look in there once in a while to see where it is going.

Q. I have seen it myself where wood is cut according to regulation and certain sized trees were left—undersized somewhat—but in two or three years they are all turned over?

A. Have you?

Q. Yes.

A. That would not be so in some areas where the larger trees have good roots, but there are areas where they just grow on top of the ground.

MR. W. G. NIXON: Q. If we were to prohibit the export of wood in order to market wood we would have to manufacture it at home. That would necessitate a greater market for our manufactured product. That seems to be one of our difficulties?

A. Of course it is. I often say to our operating organization, "Remember that any fool can make things—I do not care whether it be pamphlets or paper—but it takes an awfully good man to sell at a profit." That is our problem in all things, whether it be paper, pulp or wood.

Q. Is it not a problem in connection with the exportation of our raw wood—that is, pulp—to be able to manufacture it at home, which sometimes necessitates exportation in order to provide employment?

A. I cannot think of any better example of what was finally done. We were selling a lot of wood before the advent of the newsprint industry and the manufacturing industry. Most of our wood was exported at that time and when we discontinued it only took a few years to develop this huge industry. Perhaps the same may apply again.

Q. You think the same principle would apply at this time?

A. I am inclined to think it would.

MR. DREW: Q. I have this in mind, Mr. Belknap: one of the arguments used in favour of permitting the exportation of logs is that at a time when there is so much unemployment to a large number of men?

A. Yes.

Q. It would seem to me, however, that if by reducing the export of logs we developed a consumption even of a smaller number of logs at home that we would create greater employment having regard to the cutting, processing and handling of the finished product on the railways, ships and so on. Is that not logical?

A. Probably it would not happen at once, but it would in a comfortably short time, I think.

Q. I was very much struck with the fact that the dollars and cents value of logs exported although it has assumed a large total is extremely small having regard to the dollars and cents value of finished newsprint?

A. Yes.

Q. My recollection is about five percent.

A. Well, I do not know. You can use any figure you like. It depends on the value of the wood and the finished product. I simply use these words as an example to illustrate that if the wood sells at the point of shipment for \$10 and if instead of being shipped at \$10 it is converted into a finished product we will bring \$40 into the country instead of \$10.

HON. MR. NIXON: Q. The price of paper is \$50 now, is it not?

A. Yes, but that is a delivered price and it is no good to us because freight has to be taken off it.

HON. MR. HEENAN: Q. Is settlers' wood imported from Quebec?

A. Yes, settlers' wood is exported, but I do not think and I have not heard of it in our province although they permit export of Crown wood from Crown lands.

Q. But settlers' wood is exported?

A. Yes.

Q. In that regard you have so many more settlers in Quebec which export in comparison with our proportion?

A. I do not know how many they are. It is not a large amount as compared to New Brunswick and Nova Scotia. It seems to me some of these woodlands men could tell you more about that than I.

MR. COOPER: Q. Do you not think the fact that there is an embargo on export has driven the United States into using Southern Pine?

A. No, I do not think so.

Q. What has caused this development of southern pine now?

A. Because the south has been a one-crop country very largely and it has been cut and they have been seeking and looking around for other industries in the south. The textile manufacturing business has gone south to the cotton. They have subsidized cotton and done everything under the sun to promote the sale of it and have an exportable surplus. They have been looking for other things. They have been lumbering down there for a great many years, and it always seemed to me that if newsprint finally became a profitable industry in the south there would be no difficulty in finding money with which to build newsprint mills, but apparently they have to get the United States Government to make loans in order to enable them to build newsprint mills. I am not saying that they will not successfully make newsprint, but I doubt very much if they will make any money out of it.

Q. What about kraft paper?

A. Yes; that has gone up enormously in utilizing their wood at a very rapid rate.

HON. MR. HEENAN: Q. Within very recent years?

A. But we cannot export kraft paper into the United States because there is duty on it and we are shut out. Naturally it has caused this development to take place in the United States and I think in time it will grow. It has been growing at a rapid rate. You do not find anything in the United States packed any more in wooden packing cases. Everything is packed in box-board. Their consumption of box-board is enormous. I think that it is going to grow and it is growing with us, to be sure. It is pretty hard to sell shipping stock at this time except in certain kinds of industries and while we are putting up flour, cement and sugar in paper bags all over the country, no part of the money we spend stays in the country whereas in years gone by we have sent out of our earned dollars \$3,000,000 or \$4,000,000 a year for cotton and jute out of which boxes are made and we advocate the use of the paper box because it keeps all our money in the country, not only because we manufacture the paper, because it is sound economy that we should do so. I am speaking about our import dollars in the pulp and paper industry. You know, it is unlike cotton and rubber goods. The earned dollars we spend on cotton and rubber goods, tires, boots and shoes, belting and that sort of thing, and part of our earned dollars are exported to buy raw material. These dollars we receive from the sale of newsprint come from within and they stay here. They are not part of our earned dollar. They stay here and there is no part of that raw material brought in here, exported and used by us.

THE CHAIRMAN: Q. You mentioned that you had heard some figures about the export of pulpwood from Quebec?

A. Yes.

Q. But you said you would rather have the foresters give us the amounts. Would you mind telling us what figures you have heard of?

A. I just cannot be sure, but it seems to me last year Quebec exported something like—I had the figures, but I just cannot remember; they were given to me about a year ago and I do not want to make a guess at it, but I was struck with the idea that it was not such a large quantity which was exported from Quebec. Those figures are available and I should think you have them here, Mr. Heenan.

HON. MR. HEENAN: I think we can get them.

THE WITNESS: As to the export of pulpwood from New Brunswick, Quebec and Ontario, I have the figures at the office at home, but I just cannot remember them.

Q. You would not go so far as to suggest that we should not export raw material as between provinces in Canada?

A. That is, as between the provinces?

Q. Yes.

A. No. I do not think we would want to set up any internal competition within our provinces. Have not we enough without that? There are enough troubles competing from without, without competing among ourselves. It does not seem sound.

Q. There has been evidence given here to the effect that forest or a tree is just a crop, the same as wheat, except it takes sixty or seventy years to mature and if we have sufficient of that matured timber we might as well sell it for export as let it lay in the bush and decay?

A. As I said before in regard to this so-called over-mature timber, I do not believe it occurs in any isolated area. I believe it comes along with the general cutting operation. The forestry fellows know more about that than I, but what I have been told is that mature timber is not in any isolated locality. Mature timber occurs in immature timber and I do not think it would be good operation to step in and say, "I am going to cut out this mature timber and leave the immature timber." You have to cut the two together.

Q. Suppose you have an area of 2,000, 3,000, 4,000 or 5,000 square miles upon which you know all the timber is of 150 or 200 years of age. You know it is all mature?

A. I do not know of any such area, but if that were true I think you ought to cut that timber and use it in our own mills. I know we have over-matured timber on some of our limits and we would like to take it out, but we have to take out the immature timber with it in order to carry on a reasonable operation.

Q. And clean up?

A. Yes, because you cannot build roads, put improvements in and just select your timber, because the cost of doing that is prohibitive.

Q. Do you get your concessions of timber areas, as we call them here, to supply your mills in the same way we get ours? Say you have a reserve of a few thousand square miles for each mill?

A. Yes. We have certain reserves which are not equally contiguous to our mills, but we believe that we must have them because our timber is being cut off; that is, that which is more accessible and as time goes on we find roads are built and they provide better means and easier accessibility.

We have the aeroplane now with which we can more cheaply provide fire protection for these areas which are far removed from mills. So, the cost of maintenance is not as high as it used to be. In all operations we have made plans very carefully. We have ahead of us all the time a ten-year plan of cutting on our limits of a given amount and we add to or deduct from depending on what our operation is and we go ahead another year and keep on projecting ahead of us. We have to do that and make our plans economically as we go along. We have no direct use of the moment for Anticosti. There is over-mature timber on Anticosti but we cannot operate in regard to it, so we say

that is a timber reserve. Now, with the studies we have made, allowing for pests, insects and fire, we have enough timber now with our reserves to run our mills in perpetuity and that can change if some disaster overtakes us, but we feel reasonably safe in that respect. We do not feel so safe as we did a few years ago for the reason that there has been very wide-spread insect or pest invasion which has damaged our wood. We are fighting it now, as you probably know. It is going to take a long time to kill it off and we do not know—nor do I think anyone does—how much damage has been done to the timber or how much it has depleted our reserves.

THE CHAIRMAN: Q. You mentioned that you held 56 square miles of freehold land?

A. Yes.

Q. Would you mind telling us the total extent of your limits?

A. Including Anticosti I think we have maybe 15,000 square miles.

Q. 15,000 square miles?

A. Yes, 15,000 square miles and much of that has been cut over already.

Q. What is the area of Anticosti?

A. 3,100 square miles.

Q. So you have roughly 12,000 square miles scattered over the province mostly on Lake St. John and in the St. Maurice or James Bay area?

Q. Mostly in the St. Maurice and James Bay Basin.

MR. DREW: Q. Anticosti is in the province?

A. Yes.

Q. I had an idea it was an independent island?

A. People had an idea as to that.

Q. Such as Mr. Mooniere?

A. Yes. He had an idea that he would establish a municipality some time.

Q. That had no foundation of fact?

A. No, sir.

THE CHAIRMAN: Q. The laws of Quebec apply in Anticosti?

A. Yes. We have liquor laws on the island of Anticosti. Anticosti is a great big wood farm which happens to be surrounded by wire.

MR. DREW: To get back to the question of proration; after all, it is common knowledge now that the whole question of the method of proration is under consideration and it would seem to me that one of the subjects this Committee must consider is the desirability of the continuance of the present method or the recommendation of some other method. You spoke of oil proration in the United States. The system there, as I understand it, is that there is a single controlling committee and the power of that committee to enforce proration is contained in statutes passed by the various states where oil is produced, so in effect the orders of this general supervising committee have the powers of law. Have you had occasion to study the effectiveness and desirability of that method?

A. I have not studied it very directly beyond the fact that like all schemes it is resented by some who would like to take advantage of others, but generally speaking I think the independent consumer of petroleum and also the operators and distributors are very glad of that system of proration. It has worked quite well. Back of that, again, I think under the Federal laws of the United States—I do not know whether or not they have a law, but I imagine they have; I do not know the name of it—it still supports this commission, as it were, because they do not allow interstate commerce in oil beyond the quotas established by the body. That is to tighten up on it a little bit.

Q. Would you care to go so far as to say whether you believe that would be a desirable method of proration to employ in this country in relation to newsprint?

A. I think, so far as newsprint is concerned, if we wish to preserve the industry, we have to have some kind of an interprovincial committee with certain powers to see that this thing is impartially administered. I do not know what legislation would be necessary, but I presume legislation would be necessary to bring such a thing about. Our failure to accomplish all we might have accomplished is in that we have no machinery by which to make it compulsory and it has kind of grown like Topsy and we have not been as serious about it as we might have been because there has been no power which would insist upon it being carried out equitably. Hence there has been some injustice done to labour, injustice done to shareholders, injustice done to the local people in local communities. It has hurt a lot of people. It has hurt the individual who owns a little store in one community who finds his business lags because of lack of employment there or at least it is not equivalent to what his neighbour may have in some other town or enjoy in some other town.

I have not given very much thought to that phase of the matter except that I believe that there ought to be some body or commission jointly which would administer this business. I would not think it would have to be a very big one, but it, I think, would be a very small one and they ought to be disinterested people. That is disinterested in the newsprint industry. It should be distinct, if you like, and if I may say so, politically, to mete out justice. That is all we need.

HON. MR. NIXON: Q. You are depending upon the governments?

A. Yes. I say this, if we had had this thing done impartially, I believe within this province you probably could have found a way very quickly to lift

the Abitibi out of bankruptcy. I think we have suffered as a result of this thing. I do not know that that is altogether true but I believe that it certainly would have helped and encouraged investors and outside people, who had to find additional money. The industry needed a lot of encouragement of some kind.

MR. DREW: Q. I suppose you are referring, Mr. Belknap, to the fact that under the existing arrangement Abitibi is considerably down in its share of business?

A. Yes, and we are too, but I am not complaining. I say, even with that, it has helped them a great deal.

Q. Now, Mr. Belknap, I understand that there is a situation in connection with this proration which has been disturbing a number of the companies, and that is a question of the exemption of certain mills. What have you to say about that?

A. Well, I think that any exemption is unfair to those who are not exempt. I think you do an injustice to those that are not exempted. I think you do an injustice to the people. I think you do an injustice to the owners. And, after all, it does not make very much difference. Probably in our company, as an example, if we are hurt it does not hurt me; I am just a paid employee; but it does hurt some twenty thousand security holders that we have,—probably seventeen or eighteen thousand of them are Canadians.

Q. It is as high as that?

A. Yes, I say "security holders" mind you, and I am including our bond holders; and we have not a very good record of those, because they are bearer bonds. But we know we have about seventeen thousand shareholders, and I can give you the figures, because I put them down here thinking that question might come up. Seventy-eight percent or 13,143 of our shareholders live in Canada; and about a total of 16,000 British,—that includes some in the British Isles as well. Outside of that, we only have eight hundred shareholders in the United States and two hundred in various other parts of the world, scattered all over.

So that about ninety percent are British, and about seventy-nine percent are Canadians.

Bondholders,—I presume some of those are shareholders who have bonds too, I do not know. We wanted to get an idea of who owned this company of ours, that is what their occupations were; so, before our last annual meeting, we attached a slip of paper when we sent out the proxies, asking the occupation of the people who own this company. The law provides that they must give their occupation, but I believe it is neglected a good many times.

Some of them were reluctant to say, of course, but up to about three or four weeks ago we got about ten percent returned. I do not know whether it would interest this Committee to know who own our companies. There is an idea that a few rich men own these companies.

I have put down some of them, and I will give them to you, so as to give you a cross section. There are fifty different occupations: baker, blacksmith, barber, butcher and butler, carpenter, chauffeur, seventy-two clerks, four commissioners, a controller, eight contractors, two cooks, and five draftsmen, and so on all down through the list.

MR. OLIVER: Any farmers?

A. Yes, sixty farmers.

MR. W. G. NIXON: Q. Is there a publisher in there at all?

A. Yes, twelve publishers. *

Q. Are their holdings extensive?

A. I do not know, I did not look up to see; they probably have some stock in the company. They do not say what kind of publishers they are.

MR. DREW: Q. Your company is not largely controlled by any one publisher?

A. No. If there were, one of the things which appeals to me is that if exemptions are given to, say, publisher owned mills, what is to prevent now, if they are exempted and can operate at full capacity, which probably they do, what is to prevent other publishers buying existing mills and operating them for the future? And then what would happen to the other mills?

MR. COOPER: Is it not likely that that exemption was existing before this scheme came into effect?

A. No, I do not think that is the fact. I do not see that a publisher can have any pre-emption rights, because he happens to own the property. He sought an investment. I think he occupies about the same position as a steel company which might own an iron or a coal mine. I know this question came up a few years ago in the United States, where they have the Guffey Act; and the steel manufacturers said, We have our own coal mine, and we should be exempt from the Coal Act. But the Government said, No, that is a mining industry, and you should be subject to the laws of the country.

MR. DREW: Q. And were the mines owned and operated by the steel company put under proration?

A. I do not know, but I know that they have to operate under the Coal Laws.

Q. That would be merely a matter for the protection of labour, would it not?

A. Well, it might be that they had a coal mine contiguous to certain territory which might compel them to do something different. I do not know their law at all.

Q. In the case of prorating, do you know if any of the large Companies have their own oil wells?

A. I have never heard of it.

Q. It just struck me that possibly a company like the Ford Company, might have their own wells?

A. I would not think that they would, because oil is not a very important part in connection with the manufacturing of automobiles,—I have never heard that it is, anyway.

MR. COOPER: The New York Times had their investment in Kapuskasing long before proration, and so did the Chicago Tribune, long before there was any suggestion of proration?

A. Well, and so did the independents, and yet they are made to prorate.

THE CHAIRMAN: You mentioned a moment ago that a publisher was in the same position as other companies, because he came here to seek an investment?

A. Yes.

Q. Is it not so that he wants to be assured of his supplies? A publisher comes here and invests his money just to supply the needs of his company. Is he not in a different position entirely from a man who builds a mill to supply the market?

A. No, he built the mill because it was profitable for his own needs.

Q. Otherwise he would not have built it?

A. Yes.

Q. But the publisher does not build it to supply other needs?

A. No, yet, when you think of that in that way, are you not then discriminating against other publishers who do not have mills?

Then why should not other publishers come here and buy mills?

HON. MR. NIXON: I think that might be very desirable?

A. It seems to me that you would close up a number of other present mills, and have grass growing in the streets of their towns.

Q. You would have continually operations at their points, anyway?

A. For instance, in connection with the railways, I do not think you should close up a station just in order to get more traffic to another station ten miles up the railway.

MR. COOPER: Q. If it was just going to move your index up from fifty-nine to sixty-three, four or five points, —

A. That is what it would do. I do not know.

Q. You can appreciate how serious it would be to force the New York Times and the Chicago Tribune out of their investments in this country?

A. They have crowded out other people, have they not? I do not like to get into this sort of a discussion.

I think the injustice is done to the independent publishers, who do not happen to own mills. For example, take the Hearst Corporation. The Hearst Corporation is the largest consumer of newsprint in the United States. Now, he pays whatever the price is in connection with it.

Q. I think Mr. White testified here that it was really the psychological rather than the commercial effect which was felt?

A. I mean so far as the consumer is concerned.

Q. So far as the producers are concerned?

A. Yes, I think the psychological effect is very considerable upon the producers, to think that the others have an advantage over them. I think the effect upon me is quite considerable, that he has that advantage.

MR. ELLIOTT: Q. You suggest that it affects your security holders?

A. Yes.

Q. And the inference is that there is a substantial loss?

A. Yes.

Q. Mr. White, Manager of the St. Lawrence Paper Mills, suggested there was a very slight financial effect, and that so far as the industry was concerned its effect was psychological rather than financial?

MR. DREW: Q. When that is being discussed, I think it also should be pointed out that Mr. Clarkson said he thought the effect would be very considerable, because any substantial increase in business reduces the costs?

A. Yes, it only takes a few percent,—a difference of five percent makes an awful lot of difference; because you distribute all of your costs upon, say, your first fifty or fifty-five percent of your production; and all the production over that, say five percent, is very helpful.

Q. Mr. Belknap, on that point is the position the same in the case of the New York Times as it is in the case of the Chicago Tribune?

A. Oh, I think those things are all relative, are they not?

Q. I understand the Chicago Tribune owns its mills outright, and the New York Times only partly owns its mills?

A. Yes.

Q. I am only trying to clarify my own mind on that. It seems to me that there may be some difference between a company which owns a mill outright and a company which is only part owner, because it would then seem that if you exempt a case of part ownership, there might be an attempt on the part of other mills to obtain part ownership, so as to obtain exemption as well?

A. Yes, that might be; but one is wholly and the other partially owned.

Say one mill is owned partially by shareholders and the other part is owned by a newspaper, then the relation is in proportion to the ownership, and the exemption is in proportion to the ownership as well.

Q. Mr. Belknap, this might be a good point to bring this up. After all, we almost entirely depend upon the United States consumers for the sale of the products of our newsprint and pulpwood, and for that reason the goodwill of the consumer in the United States is of the utmost importance to this particular industry. You will agree with that?

A. Yes.

Q. We had the experience of creating a good deal of ill-feeling at a time when there was a general belief that the price of Canadian newsprint had been raised too high, by artificial means. I think that left a rather bad effect?

A. You are referring now to a good many years ago, when they got the price up to \$150,—and that was just silly.

Q. I am not talking about anything recent, but some time ago, when the price was raised out of all reason,—that left a very bad impression in the United States, did it not?

A. That was not altogether the fault of the manufacturers of newsprint here. But Americans came here and made bids and begged for newsprint, and would pay any price to get newsprint. And they made bids, which were accepted. And it was not altogether the fault of the manufacturers at that time, but the manufacturers have been blamed for it.

HON. MR. NIXON: Q. An occasion such as that would warn a purchaser about the future.

A. No, I think not. There happened to be at that time a temporary shortage, and probably much of it was in their minds. They order a long time ahead.

MR. W. G. NIXON: Q. Was there not inflation all along the line?

A. Yes, of everything. I do not think the newsprint at \$150 a ton was

inflated any more than copper was when selling at twenty-five cents a pound; and sugar was all out of line. And there was \$2.00 wheat.

I do not think the newsprint manufacturers were quite as bad as they were painted, but it was rather stupid to get into that position. We do not want to see a market get into a position which would bring about that condition.

MR. COOPER: Q. I see that in the southern markets newsprint is quoted at \$70 a ton. What was it when the war started?

A. I would think \$48 or \$49; I am not sure.

Q. I understand it was about \$30.

A. It may have been for spot tonnage. Of course that is a little different proposition again.

This is the first unusual demand for this grade of pulp, and it is an unusual thing, because of the lack of Scandinavian pulp available.

I do not think there is a shortage of pulp in the United States to-day, but they are thinking that there may be one, and they are bidding up the price.

We are going to have Scandinavian pulp again after the war is over, and we will have it with a vengeance; and it is up to us to have some kind of a system working before that time, because, no matter what the position is, those people are going to have to have some money after the war is over.

They are like a farmer who has potatoes worth a dollar a bag, and yet he has to sell them for fifty cents a bag.

MR. DREW: Q. That would be an added reason why we should have the business controlled against a sudden stimulus?

A. I think so.

Q. I understand that bleached sulphite is used in the manufacture of explosives, is not that right?

A. It probably is, in some of the newer explosives. I think some cellulose products,—and this is cellulose,—are used in the manufacture of explosives. I do not know whether it is bleached sulphite that is used, or not. I have read that they have done that in Germany, and created quite a demand for sulphite in Germany prior to the war.

Q. Now, let us come back to the question of prorationing, which leads us down several paths very naturally, because the others are all tied up with it. It has been suggested that in view of the rather unusual relationship between the consumer and the purchaser in this case, where the production is made in one country, and very close to the total consumption is in another country, that it might be desirable, in the interests of the industry as a whole, that there should be some interlocking commission or committee which would cross the

border and tie together the consumer and the purchaser in some working arrangement,—do you think that is a practical possibility?

A. I do not think that would be a very practical thing. As a matter of fact, we are big consumers of petroleum products. What would they think over in the United States if we said, Because we are big consumers of petroleum products, we should sit in on the committee on the Proration of Oil?

I cannot see why the United States, as a big consumer, would take any part in our operations in Canada in the conservation of resources, our local problems of employment, our distribution of the work. I cannot see that they would play any part in our economic system in that respect. After all, I do not believe at the present time that the publishers of the United States are antagonistic. I think, judging from those I communicated with during the recent A.W.P.A. meeting, they were quite pleased about our attitude; they were quite pleased with the fact that notwithstanding that our costs were increasing we have maintained a reasonable price for newsprint. They believe it to be reasonable, the great majority.

Of course, a publisher is no different from a housewife that buys milk at 14 cents a quart while the producer only has half a cent a quart. The publisher wants to buy his paper on the same basis. When the price is increased, if it is increased \$5.00 a ton, then he yells about it. But he never says very much about the time when we reduced it \$5.00 a ton in one gulp. And that has been done in the past.

I think that the publisher is most interested in being assured that his neighbouring competitor does not buy paper any cheaper than he does. I think that is his principal interest. When a man buys paper on that side of the street at less than I pay for it on this side of the street, I resent it. But I do not mind if he pays the same price that I pay, assuming that paper is a large part of the cost of producing a newspaper.

HON. MR. HEENAN: I suppose that led to the clause being in the agreement whereby if any publisher got newsprint at a lower cost —

A. In the old interlocking agreement, yes. He wanted to protect himself, and he insisted on that being in his agreement, that his neighbour or competitor could not buy paper at less than he could buy it.

MR. OLIVER: What do you think of a central selling organization for Canadian newsprint?

A. That, of course, is very idealistic. After all, human nature is about the same as it always was. I think a buyer would rather resent saying, "There is only one place you can go, and that is to him." Again, that would bring up the point of these exemptions. If he had to go to one central commercial mill and buy paper he would say, "What about the man over here that publishes a paper in Chicago or New York; he is free; he has got a mill there and he can sell paper to himself at any price he chooses?"

MR. DREW: Mr. Belknap, just to return to that one question, in your opinion, I understand the exemptions do create difficulties in prorations?

A. I think they do, yes. If I were in the position where I was the exempted mill, I think it would be rather distasteful to me to have that exemption changed. I do not blame these people for feeling as they do about it. I do not blame them at all, but I just think, myself, if you are asking me, that it is unfortunate, it is unfair.

MR. COOPER: If you were the publisher and had put your investment in this country, don't you think it would be distasteful to you?

A. Undoubtedly. As an independent investor, as an independent mill, it would be awfully distasteful, too. If you owned securities in, we will say, one of the big paper companies here and you felt that an injustice had been done them, you would feel that it was not a very good thing for you to have an investment in.

Q. I know, but I cannot help appreciate the difference, Mr. Belknap, between a man who is producing for himself and a man who is going in the market and selling.

A. Of course, when the investor invested his money in mills that are not owned by a publisher he did not believe he was going to be discriminated against when he made his investment, or he would not have made it.

Q. Oh, no; it was done for his advantage?

A. Oh, I doubt that.

Q. I beg your pardon?

A. I do not think it was done for his advantage. It has taken something away.

Q. You do not think proration has helped?

A. Oh, undoubtedly it has. But I thought you referred to the exemptions.

Q. No, no.

A. Oh, no. Oh, I see. Well, that is different, of course; it has helped them enormously, and I think, judging from the position of the industry to-day that the investor feels a lot more comfortable than he has felt at any time in the past.

You take our corporation before I was in it, it was in great financial distress. The existing security holders at that time accepted in the primary securities about 50 cents on the dollar to bring about reorganization. In other words, there were about \$145,000,000.00, as I remember it, of senior securities of the Canada Power and Paper Company. Those people accepted something like \$51,000,000.00 of senior securities. So it has been written down with a vengeance. You could not reproduce our properties for 30 percent more than they are at present.

MR. DREW: Would you say it has been written down to a point where the senior securities represent the actual cash investment in the industry?

A. Oh, my, even more than that, on a par value basis. Of course, they are not sold on any such basis as that.

THE CHAIRMAN: Coming back to the question of exemptions, when were those five mills of yours built? Take Port Alfred.

A. Port Alfred was part of the old Bay Sulphite Company. It was long before my time. I think that mill was built around 1926, '27 or '28. Before that it was a pulp mill called the Bay Sulphite Company, and it formed part of this newsprint mill.

Q. What about Three Rivers?

A. Three Rivers, that is about thirty years.

Q. Thirty years of age?

A. Yes.

Q. What about Cap de la Madeleine?

A. About the same time. It was put in about the same time that the Timagami mill was built. It was long before my time.

Q. What about Comeau Bay and Shawinigan?

A. They have been made more modern. They are old mills. Parts of them have been renewed and renewed.

Q. My point was this—

A. You know, an old mill does not necessarily mean—

Q. No, no, no—

A. It is an uneconomical mill.

Q. I mean—

A. The date of the building?

Q. Yes.

A. Yes.

Q. The point is this: there have been new mills built since publishers started building their own mills in Canada and there have been many people who invested their money in these new mills. These people knew that publishers of the United States had built mills here to supply their own requirements and they could not expect to get any of that business.

A. No; I think at the time those mills were built there were not any publisher mills.

MR. DREW: The Baie Comeau mill was built only about two years ago, was it not?

A. Yes. It is quite a new mill.

HON. MR. NIXON: You had a publisher mill recently built in Quebec?

A. Comeau Bay, yes; about two years ago.

MR. DREW: That is the Chicago Tribune, is it not?

A. Yes.

HON. MR. HEENAN: They do not supply all their needs; they purchase in the open market in addition to the supplies from these two mills. They are not in the market selling.

A. Before they built the mill they purchased a lot more paper.

Q. Oh, yes?

A. There was plenty of capacity in the country at the time. My recollection is that the industry as a whole protested to the Prime Minister against building this mill. We were dragging on bottom and mills were shut down, and if this mill was built it was going to shut more of them down.

HON. MR. NIXON: You take a publisher who has money tied up in a mill here, he is not using southern pine and supplies from Scandinavia, that is a sure thing.

A. Well, I do not know that it would make very much difference, Mr. Nixon. There is so much paper made in the world, and there is not anything that can stimulate, so far as the paper manufacturer is concerned, the consumption of paper. You could advertise newsprint paper, but you could not sell a ton more. The man who uses the paper would be awfully glad to buy a lot more of it, if he could sell more advertising or had more circulation. But there is nothing we can do as manufacturers to stimulate the sale of newsprint paper.

MR. DREW: I suppose that is one reason that would make you believe that proration in this industry might not be open to the same objection it meets in other industries, where there is some actual competitive factor?

A. Yes. You can increase the consumption of coca cola, if you spend money enough advertising it.

Q. And gets girls pretty enough on the posters?

A. Yes, you have to have that, too!

HON. MR. HEENAN: You said a moment ago that the manufacturers protested against the building of this mill. You were speaking of Comeau Bay?

A. Yes.

Q. So did I.

A. Yes, you did. I remember that.

HON. MR. NIXON: But the Quebec Government pressed just as hard to have it.

HON. MR. HEENAN: It should never have been built.

MR. OLIVER: Leaving aside the exempted mill, is the selling price of newsprint to the States about the same per ton. Has there been much variation in price as between the different mills?

A. I do not think there has. There may be. I like to restrict myself in answering that.

HON. MR. HEENAN: There is a difference.

A. Of course, there are some who are fearful of proration and the penalties that can apply against them.

MR. COOPER: What became of the old interlocking clauses in the agreement? Are they still there?

A. I do not think they are. I think those are pretty well cleared up. That was a vicious thing. That is pretty well cleaned up. As these contracts expired, they were not renewed with the interlocking clauses in them. That was a most vicious thing.

MR. DREW: Mr. Belknap, to move along to another subject, we have had some discussion here of the desirability of research in connection with this industry as a whole, and the possibility of some co-operative method of research. In that connection it has been explained that there is in existence now a research organization supported partly by the Dominion Government, partly by McGill University and partly by —

A. The newsprint manufacturers.

Q. The newsprint manufacturers. The evidence we had, however, was that it is really playing a relatively small part at the present time. Is that correct?

A. Yes. They have not had enough money to put into the thing, to really do a good job. Then there have been so many elements in connection with it. There are the manufacturers, then there is the Government and then the McGill University involved, and we haven't had enough money to set it up as it ought to be set up, I believe.

Q. Is it not so, that in an industry in which there is an attempt to control the output, as in the present attempt at proration, research becomes of increasing importance in attempting, not only to reduce costs, but also to find new methods of utilizing raw products?

A. Yes.

THE CHAIRMAN: Is "output" quite correct?

MR. DREW: I noticed Mr. Belknap referred to it.

WITNESS: I do not like it. I like regulation.

THE CHAIRMAN: You are not regulating the output.

WITNESS: No.

THE CHAIRMAN: You are controlling the distribution of available supplies.

WITNESS: Yes.

THE CHAIRMAN: We do not tell the mills you shall not produce more than so many tons a year. We say, whatever is available shall be distributed in such a way.

MR. DREW: In view of the fact that there is a certain total, you get a certain fraction of that total which amounts to so much?

A. Yes.

THE CHAIRMAN: We do not tell the producers you are going to produce only a certain amount and that will have to do to supply the whole demand, whether it is high or low.

MR. DREW: Oh yes, there is no attempt to limit —

THE CHAIRMAN: No.

MR. DREW: To limit production. But I do not know that there is any necessity to get into an argument about the definition of a word. There have been some attempts at proration in other products which have forced limitation of production to maintain prices.

THE CHAIRMAN: Yes.

MR. DREW: There is no suggestion of anything of that kind here.

THE CHAIRMAN: No.

WITNESS: No.

MR. DREW: I am inclined to think from some of the evidence we have had

that there would appear to be a desire on the part of many in the industry that there should be control.

A. Well, I am a little doubtful about that. I think with the right kind of administration and regulation—you can call it “regulation” or “control”,—whichever you like as long as it is impartially administered, the other things will take care of themselves.

Q. Without questioning the use of the words “control” or “regulation”, whatever method is adopted to effect an equitable distribution of sales, I understand it is your opinion that it would be desirable to have some impartial, independent, interprovincial organization exercising administrative direction, at least, over the distribution of sales?

A. I think so.

Q. And again without getting down to the necessity of defining a word, whether that be a commission or a board or a committee—I understand your suggestion to be that it would be desirable to have that body composed of men who are not themselves answerable to one political organization or another, and, I assume, not answerable to any particular industry either?

A. No. I think that they should be independent, as long as we can be assured of just regulation.

Q. Because you know, Mr. Belknap, no matter what differences of opinion some of us may have ———

A. The two words may be almost synonymous.

Q. I do not think that possibly the manufacturers in themselves can be any freer from the suggestion that they are not wholly impartial than can those who may be described as being in politics. It would seem to me that if it is to be impartially administered it must be taken both out of the political sphere and out of the actual control of the manufacturers themselves. Would that not appear to be reasonable?

A. I think this is a national problem. I think it is so important to our national economics that something should be done about it to preserve what is sometimes called our heritage. We should not be giving it away. We ought to make the maximum use of it in the future. I think we have not taken a long enough view in connection with this whole industry.

Q. In that respect, Mr. Belknap—I am not putting this forward for the purpose of raising an argument here—my opinion is that this must ultimately be some form of a national commission or board; because, while the majority of the production is within the two provinces, after all, we have been told, and there does not seem to be any reason to question it, that power and transportation are extremely important factors in the ultimate cost of this product. And so far as transportation is concerned neither provincial authority could have any control over that at all. Would you be inclined to agree with that viewpoint?

A. If it could be brought about I would think it would be a national problem. I would think it should interest all the provinces, if they are nationally minded.

Just think what this is doing for us at this minute. Our exchange problem is becoming more difficult all the time. In the first three months of this year we imported from the United States \$50,000,000.00 worth more goods than we did in the first three months of last year. This exchange business is becoming more and more important, and we must look at it as a national matter as well as a provincial matter or as well as a newsprint matter.

Q. Have you any estimate, Mr. Belknap, of the percentage of the cost of your product that goes into power?

A. Well, I would say it all depends on the rate at which we operate. We have fixed contracts under which we have to pay whether we use it or not. I would say that it would be about 12 percent of our costs, as we are running at the present time. We are operating at 56 percent of our capacity at the present time. At least, we have during the first three months of this year. I would say that our power cost at this time is pretty close to 12 percent of our commercial cost.

HON. MR. HEENAN: That power cost would be reduced if you were working to greater capacity?

A. Oh, yes. You see, that is another thing. We have fixed power contracts that we must pay for. That power was contracted for at a time when it was so much. We were running at a higher capacity, and inasmuch as there are exemptions we are paying for more unused power than we would if we were operating at a higher capacity. That in itself would make our cost of power per ton less than it is at the present time because of our not having to pay for unused power.

HON. MR. NIXON: You do not generate any of your own power?

A. Not very much; just an infinitesimal amount.

MR. COOPER: What was that 12 percent? 12 percent of what?

A. 12 percent of our commercial cost.

HON. MR. HEENAN: 12 percent per ton.

WITNESS: Power is an important item. The higher the cost per unit of production the lower the rate you operate. Now, I am not criticizing the power companies. They have their fixed charges to meet. They invested money in a plant to be able to deliver power to you when you wanted it, and it may be that contracts were made on that basis. Then you must pay for it whether you use it or not, because the cost of power is largely fixed charges. You go into a power plant, a Hydro-Electric plant, where there is 150,000 horse power in operation, and you pass down through these huge generating stations and look around, and you can't find more than four or five men in the station. Your thought is, my power must be awfully cheap; there is no labour here; this thing

runs automatically. But you have forgotten that you probably have \$15,000,000.00 or \$18,000,000.00 working for you all the time, that makes this possible. Somebody has to pay the wages to that capital to produce power cheaply. And we happen to be paying for it. The power companies pay their bond interest, but we don't. We have not paid anything to our shareholders or bondholders for ten years.

THE CHAIRMAN: How much do you pay for power?

A. We have various contracts at various rates. We have some contracts as high as \$18.00; then we have some very old contracts that are down around \$13.00.

Q. \$13.00?

A. Yes. But it depends on the location and the length of the transmission line.

Q. You are right next to the station at Shawinigan?

A. Right next to the power plant.

MR. DREW: What is the par value of your outstanding bonds and stock at the present time?

A. The par value of our outstanding bonds is about \$51,400,000.00. Our stock is no par value. There are about 2,800,000 shares of that.

HON. MR. HEENAN: Your output about equals that of the Abitibi?

A. Yes. That, of course, includes, as I say, our lumber mill and our kraft mill as well.

MR. DREW: Could you give an estimate of what actual cash investment your corporation represents?

A. Yes. Roughly, I think somewhere around \$90,000,000.00.

THE CHAIRMAN: What is your capital investments in limits?

A. \$1.00.

Q. I know that is the figure in your balance sheet, but have you any idea of the amount actually paid to the Quebec Government?

A. No, I haven't, but I know when this Company was reorganized, it was rather new when I took charge of it, and there was a great question as to what our timber limits represented. I don't know; I think millions of dollars is represented on the balance sheet of a good many companies. But my thought was, that this is something we leased. We are tenants. We may have paid many dollars for the leases, and so forth. Therefore, I do not think that it is one of our capital assets. I wonder if it is. You can get into a long controversy over that subject. But that was my idea in connection with it.

Q. What I had in mind was this. You must have paid, not you, but the companies that acquired these limits, must have paid to the Quebec Government, a substantial sum when you purchased the limits or when you purchased the right to cut?

A. Yes.

Q. That must have run into a substantial amount, if you have 12,000 square miles of limits?

A. Yes. That was what we paid for the right to operate.

Q. Yes, but I mean the amount you paid must have run into substantial figures?

A. Yes, I think it did. I do not know how much; I have no idea.

Q. That represents an actual cash investment?

A. Oh, yes, there is no doubt about that.

HON. MR. HEENAN: Then you pay cordage?

A. We pay ground rent and we pay so much a cord for what we cut.

MR. OLIVER: Fire protection?

A. We pay our own fire protection, yes.

HON. MR. NIXON: Do you carry it out yourselves?

A. Not in all the areas, no. We belong to fire protection associations where a group, we will say, in that watershed are protected. There are other places where the Government protects it themselves. I think that the industry, judging from what I have been told in the past, has done a pretty good job on fire protection. I think they do a pretty good job.

Q. Can you tell us what it costs you on an acreage basis?

A. Fire protection?

Q. Yes.

A. No, I cannot. We probably spend in fire protection all told \$125,000.00 to \$150,000.00 a year. I do not know what it would be on an acreage basis.

THE CHAIRMAN: \$120,000.00 would work out to about \$8.00 per mile?

A. Something like that, yes.

MR. DREW: There is a situation which we had under discussion here before,

that is, the question of the erection of new pulp mills in Canada. Would you care to express any opinion as to whether at the present time it is wise to have new pulp mills constructed?

A. Well, I think that inasmuch as we have not yet over a period of years utilized the present facilities we have that any new capital invested in that sort of an industry would be very hazardous, or, at least, it would be very venture-some capital. And I would think that it might possibly cause some destruction to existing capital that may be invested in the pulp industry. That is my view on the subject. It would be very venturesome.

THE CHAIRMAN: We will adjourn now until 2.30 this afternoon.

WITNESS: Do you want me back this afternoon?

Q. We would like you to come back, yes. Do you intend to leave on the 5 o'clock train?

A. I wanted to, yes. I have a lot of things to do.

THE CHAIRMAN: Then we shall go on for another fifteen minutes.

WITNESS: I would appreciate it very much if you could. I should be very glad to make further contributions of my time, but I would like to get away.

MR. DREW: I did not know that. I will just go through this as quickly as possible. We were discussing the question of selling, and it has been suggested that it would be desirable as far as the overseas market is concerned to have one selling organization for the industry. Would you agree with that?

A. I think so.

Q. That is your opinion, is it?

A. That is my opinion.

Q. Would it be practicable to have that organization tied in with the larger organization controlling—I won't use the word "controlling"—directing the distribution of production?

A. I do not think so.

Q. You think that should be a separate organization?

A. I do, I think that should be a separate organization.

Q. Would you say that that organization should be distinct from any selling organization dealing with United States publishers?

A. You mean overseas?

Q. You think there should be two separate organizations?

A. I think there should be two separate organizations, if there were to be a domestic organization, we will say, a domestic organization in reference to the United States being domestic as well.

Q. Have you any suggestion as to the method of controlling sales in the United States?

A. I have not thought very much about that. I am a little doubtful as to whether or not there ought to be one selling organization in the United States. It might develop into that. I think we have got to continue to be careful we do not again regain the ill-will of the buyer of newsprint. I think we have to be a little careful about that. We are all human. We do not like to be told where we are going to buy our shirts and collars. We like to have two or three places where we can go irrespective of the fact that there is very much chance for us doing much better. It is human to want to do that.

MR. DREW: One of the rather interesting aspects about this whole discussion of proration is that, no matter what the law may be, it is strangely similar to the varying arrangements in respect of which certain countries which use wood products are being prosecuted at the present time in our courts.

A. Yes.

Q. It indicates the fact that this whole problem of proration is one on which there is not a very definite opinion formed?

A. Well, I am not a lawyer, but does not our Act provide that if they can show that it is not against the public interest in their having sold whatever their packages are then that is not a combine? Fortunately, we have not got the kind of Act they have in the United States, which is a most iniquitous thing. But with this proration scheme of things, if you meet a reason for it, it is probably in the public interest that something be done along those lines.

Q. I am not really arguing it, I am raising a point that does come up in this discussion. That, after all, is the contention of those who form these similar trade organizations or manufacturers organizations?

A. Yes. I am against it if it is an abuse. I am against any kind of an organization that abuses the public in what it does. On the other hand, I do not like to be compelled to destroy the capital there is invested in the institution of which I am one of the stewards. I do not like to be compelled to destroy this investment because of certain conditions that exist, and, really, we are placed in that position a great many times where these 20,000 people who own this company are hurt terribly because of the indulgence in things that destroy the interest they have in the company. That is not good for the country.

Q. Just in that respect, I think you will agree that it is highly desirable, having regard to the future stability of this industry, that public confidence be restored in the financial attraction of investments in newsprint companies?

A. Yes.

Q. In other words, if we are going to have expansion, based on new invest-

ments in the future, it is important that the public have more confidence in investments of this kind than they have at the present time; is that not so?

A. That is absolutely so.

Q. And, for that reason, would it not be highly desirable that any regulations which control the industry, be in a clearly defined form, so that those who are investing in the industry may say, "This is the measure of supervision to which our company is going to be subjected, and we are not left to guess what measures of supervision there may be?"

A. I think it should be well defined, that is right.

Q. So I come to this point; that in the setting up of any measure of supervision under a commission or board, will you agree with me, that it is extremely important that the terms upon which that supervision will be exercised, should be defined in the clearest possible terms?

A. Yes, I do.

THE CHAIRMAN: We are very much obliged to you, Mr. Belknap. The Committee will adjourn until 2.30.

At 1.00 p.m. the Committee adjourned until 2.30 p.m.

AFTERNOON SESSION

S. L. deCARTERET, Called.

THE CHAIRMAN: Q. Mr. deCarteret, you are the Vice-President of the International Paper Company—or one of the Vice-Presidents?

A. Vice-President and General Manager of the Canadian International Paper Company.

Q. You have been asked to come here to give us an opinion in connection with several matters, in connection with the newsprint industry. I think Colonel Drew has some questions he would like to put to you,—or would you rather if Mr. deCarteret made a statement first?

MR. DREW: Unless Mr. deCarteret has any particular matter he would like to say here, to give a statement first.

WITNESS: No, I have nothing; I am just here to answer such questions as you wish to put to me, if I have the information.

THE CHAIRMAN: All right then, Colonel.

MR. DREW: Q. Mr. deCarteret, to some extent, some of the questions may constitute a repetition of what was asked this morning, but I might say the

reason it was suggested, that either Mr. Hinman or some representative of your company attend, is in view of the fact that yours is one of the largest companies, and it was felt desirable, if possible, to have opinions expressed in regard to the present arrangement, and we appreciate very much your courtesy in coming here in this way.

Your company has mills located at what places?

A. We have three newsprint mills, one located at Gatineau, Quebec, one at Three Rivers, Quebec and one at Dalhousie, New Brunswick.

Q. What would be the capacity of the mill at Dalhousie?

A. The mill at Dalhousie has a capacity of between 635 and 675 tons per day.

Q. And the others?

A. Three Rivers mill approximately 800 tons per day.

Q. 800?

A. 800. One at Gatineau 750. Those ratings are per day. Of course, the actual production depends somewhat on the trim which you get to your machines, and the total rated capacity of the three mills figures up to approximately 725,000 tons per year.

Q. The Dalhousie mill would not be under the proration arrangement, would it?

A. Oh yes.

Q. It would?

A. Yes.

HON. MR. NIXON: Q. Do you have no interests in Ontario now?

A. We have a pulp mill at Hawkesbury, Ontario.

Q. That has not operated for some time?

A. Oh yes, it is operating right along.

Q. Oh, is it?

A. Yes.

MR. DREW: Q. How close to capacity?

A. Up to September of last year it ran rather intermittently, I can't tell you off-hand what rate it was run at, but I would say that roughly up to September, 1939, it probably ran between sixty-five and seventy percent maximum.

THE CHAIRMAN: Q. What about now?

A. At the present time it is running one hundred percent. We also have another pulp mill at Temiskaming, Quebec, which up to September of last year ran about under the same conditions but is now running one hundred percent.

HON. MR. NIXON: Q. There is no prorating of pulp tonnage at all?

A. No.

THE CHAIRMAN: Q. I suppose that increase in production must have relieved the situation in Hawkesbury?

A. Very materially.

MR. OLIVER: Q. At what rate of capacity are your newsprint mills running?

A. Up to the end of March our newsprint mills were running about sixty-eight percent. Our sales, however, were—I will just check that figure, I have it here—the first three months of 1940 our sales were fifty-nine percent of capacity and, as I say, we were running at a higher rate of production, as we do from year to year at that time to build up inventories for ocean shipment, because at both Three Rivers and Dalhousie we store ahead for the opening of navigation.

MR. DREW: Q. Mr. deCarteret, you know that evidence has been given that it is important if proration is to continue that the proration should be strictly observed. Have you any comments to make on that evidence?

A. I agree with that entirely, that whatever rules are set for proration they should be strictly observed. When I say strictly observed I don't think that it is practical for every mill to hew to the line every individual month, but as overages or underages accumulate from time to time they should be adjusted as soon as possible.

Q. With reasonable variations depending on particular circumstances I gather that you agree that it is vital to success of any proration agreement that it is vital to success of any proration agreement that the terms be strictly enforced?

A. Yes.

THE CHAIRMAN: Q. But you would rather have the quota on an annual basis than a monthly basis?

A. No, for your quota to work successfully you have got to forecast ahead as to what consumption is going to be from month to month and those figures may have to be revised during the month.

But to have a quota on a yearly basis and have to make a count only once a year, if that is the point that you had in mind, large overages or underages could accumulate in that time which it would be very difficult to compensate later, that has been the trouble with the carrying out of the proration.

Q. That is not exactly what I had in mind. If your quota was say 120,000 tons a year you could sell 15,000 tons in one month and 5,000 the following month and so on so as to make a total of so much for the year?

A. I don't get your point.

Q. Well you said a moment ago that there might be an overage in one month?

A. Yes.

Q. And that would have to be made up on the following months?

A. Yes.

Q. So what I expressed is practically the same idea, that provided at the end of the year or at the end of any extended period you had sold no more than the quota allowed to you, but you might sell more in one month and less in another?

A. That is right.

MR. DREW: Q. Now, Mr. deCarteret, it has been suggested in evidence here by more than one witness that the exemption of any company in Ontario or Quebec from the general provisions of proration makes the operation of the prorating agreement difficult. What have you to say about that?

A. I agree with that statement. I believe that no formula or rule can be set that can be final under all circumstances. I think that when the governments of the provinces of Ontario and Quebec agreed on the proration plan and decided to put it into effect that that step is the principal one which has resulted in some considerable comeback of the industry. I feel that in making the exemptions which were made from time to time they were made in good faith by the respective governments. I don't think that either government wanted to err on the side of swinging the big stick or incurring any injustice; I think that undoubtedly that had considerable bearing in being lenient rather than harsh. However, in the light of what has occurred since those exemptions were made I believe that if proration is to be successful in the future an unbiased study has got to be made of all those exemptions which exist in the light of present-day conditions to see whether they were justified or whether they were not. Does that answer the question, Colonel?

MR. DREW: Yes.

HON. MR. NIXON: Q. You are not prepared to condemn them out of hand?

A. Not at all. Not at all. I can see where they have worked hardship on the rest of the industry.

Now am I free to refer to remarks that were made this morning?

THE CHAIRMAN: Yes, certainly.

MR. DREW: Q. Yes?

A. This morning, mention was made that if the exempted mills had run at the same ratio as the industry as a whole, it would have made a difference of possibly five points—was that it?

THE CHAIRMAN: Q. I believe that is the evidence given by Mr. Vining the other day?

A. Yes. I think that is substantially the statement made this morning. And reference was also made. I think, to a remark attributed to Mr. White, that that difference, the effect of it, was largely psychological rather than actual—is that correct?

MR. DREW: Q. Yes.

A. I don't agree with that statement exactly, for this reason: I believe that the amount of exempted tonnage is something like 400,000 tons, isn't it?

HON. MR. HEENAN: About.

WITNESS: About 400,000 tons of exempted tonnage. Let us assume that the industry was running at fifty percent of its capacity as it did, or approximately that, that would mean that the industry as a whole would be producing approximately 2,000,000 tons. Now, if the exempted tonnage had been run—to realize which by partial or whole exemption—on the same ratio as the industry that would have produced under those circumstances say, 200,000 tons instead of 400,000 tons, that 200,000 tons which they would not have run, would have been run by the rest of the mills, with the result that there would have been an increase of ten percent in their running ratio approximately. Do you follow me? In other words, the 200,000 tons would have been ten percent of two million. A difference in running ratio of ten percent makes a difference of approximately \$2.00 per ton in the cost of the tonnage produced—of the total produced, and I don't think that that could be passed over lightly; particularly when an industry has been running, as ours has, on such a low ratio, where \$2.00 or \$1.00 or fifty cents per ton income is a very substantial and material item. I just wanted to clear up that point that you can't pass over lightly, that if the exempted tonnage had been reduced so that those mills would run on the same ratio as the others, that it would not have made a substantial difference in the operating success of the industry as a whole.

MR. DREW: Q. I think one can safely say, not only in this industry, but in others, that there comes a certain critical point in the graph line of production costs past which even a very small increase very greatly reduces the cost?

A. Definitely.

Q. And evidence was given here as distinct from Mr. White's evidence, that having reached the point they had reached, a relatively small percentage increase would substantially improve the position?

A. That is right.

Q. That, however, in itself is not an argument one way or the other, in favour of the exemptions or against the exemptions that are being granted?

A. No.

Q. I suppose there is a clear distinction between the arguments that might be made in favour of the exemptions of the mills supplying the *Chicago Tribune* and the *New York News*, and the situation which exists in the case of the *New York Times*, which has bought into certain mills by stock purchase, there appears to be a difference in the argument?

A. I would like, if possible, that I shouldn't be asked to testify too closely on that, for the reason that the company that I represent, takes up a considerable portion of the slack of the requirements of the *Daily News* and the *Chicago Tribune*. As was mentioned this morning, the two mills of the Ontario Paper Company do not supply the full requirements of their papers, and I would not like it to appear or to be attributed to me, that I was arguing for or against the exemptions of that company, because of the influence that it has on our own company's business.

Q. That is very reasonable, but there is an interesting point in connection with that. Is the production of the Ontario Paper Company mills consistently below their total consumption?

A. Oh, yes. Even when they only had their mill at Thorold, they were producing at that mill considerably less than their consumption, and their tabloid in New York, I think it is called the *Daily News*, has grown by leaps and bounds. This is an enormous mass of paper.

HON. MR. HEENAN: Q. I think they were purchasing something in the neighbourhood of 100,000 tons a year?

A. I think so.

HON. MR. HEENAN: In addition to their own production.

MR. DREW: Q. I can see that you would be put in an embarrassing position, in arguing one way or the other on that point, then?

A. I think I will set out my opinion clearly, so you can draw the conclusion from it that what I said previously, that in view of present conditions I think that every case of exemptions should be studied by unbiased parties, by an unbiased committee or whatever you want to call it, and the facts established as to whether the exemptions should be allowed to continue or not.

Q. Well then, will you express an opinion on the suggestion that has been made, that it would be desirable this whole problem be controlled by possibly a national commission or board?

A. I think it is strongly advisable that at least, some such body should be

brought into being to take care of the affairs of these two provinces, and if possible that it should be extended to cover the entire production of the Dominion.

Of course none of us like interference with our own individual businesses, but I think every fair-minded person who has appeared before you and will appear before you will probably admit, maybe grudgingly, or some freely, that proration has been the salvation of this industry. Some years ago I was connected with a small company which had one machine running on newsprint. We had a contract which had run for a number of years, it was one of these cut-price contracts, and when it came to renewal period and we tried to get the full price or the current market price it was absolutely impossible to renew that contract. We were offered renewal if we would make a price concession, not only a price concession but a concession in terms of payment which were very unreasonable, and fortunately we were not pushed to the position of having to accept those terms because another company voluntarily prorated to us. This was back before proration officially came into being.

Now the argument of publishers trying to drive a hard bargain with small companies with one or two machines running on newsprint is that we cannot count on continuity of supply from you as you have only one machine, what are we going to do if your machine breaks down or if our requirements rise, you haven't got the elasticity to take up the slack; therefore a small company with one or two machines has always been for years back in a difficult position to make contracts. That situation is solved now by proration, a small company is no longer at the mercy of a publisher who insists on driving a hard bargain in order to do more business.

Q. Have you any comments to make about the desirability of any special method of proration other than what you have already said?

A. You mean in regard to proration itself, or the method of enforcing it?

Q. I have in mind particularly what you heard discussed this morning. There are different methods of proration. In fact, there are many proration agreements of different kinds in effect to-day, but while it is not a manufactured product of quite the same type, there is some similarity between the situation here and the situation of the product of oil in the United States because we have perhaps relatively as dominating a position in the production of this product as they have in oil. Now they have not relied merely on voluntary agreements supplemented by governmental intervention, but they have actually a supervising committee which is given power of law to enforce its demands by state legislation and is in addition to that assisted by the Federal Government under certain provisions respecting interstate commerce. Would you care to express opinion as to whether that offers any practical suggestion for us here?

A. Did I understand you to say that we have a dominating position here—referring to Canada—in regard to newsprint?

Q. Yes?

A. We actually exert a big influence, you know, but we are not in a dominating position.

Q. When I said "in regard to newsprint", I meant in regard to the raw material?

A. Yes, we are to some extent, but still it is the price we get for the goods which is most interesting; is that not so?

Q. Take for instance simply this bald statement from the president last year of the pulp and paper industry in Canada: "Canada has the largest area in the world to-day of commercial timber that is suitable for the manufacture of all the new products of pulp and paper that are now so much in demand." Is that fairly accurate?

A. That is a fair statement. We have the raw material, but when it comes to marketing it competitively we have been at the mercy of foreign countries for years. Scandinavia, for instance, I think in 1939 its imports of newsprint were something over 300,000 tons, selling at a price anywhere up to \$7 and \$8 below our market price delivered to publishers in the United States.

In regard to pulp from Scandinavia the average importations to the United States have been something like 1,400,000 tons a year for several years. That pulp—a great deal of it—is used in the lake states. It comes right up the St. Lawrence River and is delivered in Wisconsin and adjacent states at prices with which we cannot compete.

I was interested the other day looking at some graphs which showed that while the consumption of those classes of pulp by the converting mills in the lake states has increased enormously, Canada's part of supplying that pulp has just gradually dwindled down because we cannot meet their competition as to wages, living conditions, subsidized ocean freights and all the rest of it. Every ton of that pulp which comes over here comes up through our canals and is subsidized by ourselves by reason of the free passage which they have through our canal system.

So, while we may be in the predominant position so far as raw material is concerned, we are far from being in a predominant position when it comes to delivering finished goods.

Q. I remember we had something of the same condition in regard to oil a few years ago when there was a very active press campaign in this country in regard to the effect of selling Russian oil delivered on the St. Lawrence River by boats direct from Russia. The position is not greatly different?

A. No.

Q. I only mention that, because it seems to me that it is exactly the same factor in the oil business as in the pulp and paper business. That was met, not so much by embargo, or anything of that kind, but by an emotional campaign against the purchase of Russian oil?

A. Yes.

Q. I think you should remember that?

A. Yes.

Q. I merely mention it, because it seems to me it brings the two back again on a somewhat comparable basis. However, without going too much into its comparative angles, you heard Mr. Belknap say this morning, that in his opinion it would be desirable that any regulations which were to be enforced in regard to proration, should be clearly defined and strictly enforced? Would you agree with that?

A. Yes, I agree with that. It may be superfluous for me to say this, but I think, in making the rules, that the industry necessarily should have the opportunity of expressing every view for and against, and that in the carrying out of the rules that the body which will exercise, let us say, the final policing power, will be entirely independent from the industry itself and from any intervention political or otherwise.

THE CHAIRMAN: Q. All seem to be afraid of political intervention, but I think it was political intervention which established proration?

A. It was.

Q. And that saved the industry?

A. It did.

Q. Then political intervention is not so bad?

A. Sometimes it is good and sometimes bad.

MR. DREW: Q. Although you may welcome the clergyman when he performs a marriage ceremony, you do not want him in the house all the time afterwards?

A. (No audible answer.)

HON. MR. NIXON: Q. The governments of the two provinces are real partners in this industry?

A. Yes, and we are partners with the two governments.

HON. MR. HEENAN: Q. As you state, government intervention has been the salvation of the newsprint industry, and the province established some kind of an order of policing in order to regulate the policy of proration. I think, outside of the publishers' mill, in which the governments agreed either rightly or wrongly, for the time being that they should not be included in this policy of proration. Taking it as a whole, the balance of the tons—that is of the mills—which have not been strictly adhered to, do not amount to more than about 60,000 tons in two years. What I mean by that is, that the Government has not at all done too badly?

A. It has done very well. It was a remarkable success.

Q. The remark of the Chairman was made and my genial friend on his left followed it up, and the questions and your answers would lead one to believe that the matter is not in such a bad mess?

A. Pardon?

Q. The remarks of my two friends and your answers, would lead us to believe that this has got into not such a bad mess?

A. (No audible answer.)

Q. And so I agree as Minister of Lands and Forests—and it looks as if I am going to be Minister for another forty years ——

MR. DREW: You are looking forward to complete proration?

HON. MR. HEENAN: Yes, I agree.

In fact, I suggested first that the matter should be taken out of the hands of the Minister of the Crown, who has not the time to devote to it, but I do not want it looked upon as if we have not tried to do our best.

THE WITNESS: If I have given any impression to the contrary, I wish to correct it. I have said in effect, that proration has been the salvation of the industry, and in the last two years we have had the results of it.

Q. That is better; much better.

A. But there is room yet for a lot of improvement.

Q. I agree. Referring to the two or three publisher mills—one in Quebec and two in Ontario—suppose we exempt them, we have only to tighten up in order to adjust the matter of 60,000 tons in two years. That is the amount of proration which some mills have gotten away with, so it does not mean a very big job to tighten up?

A. I hope it will not be a very big job.

Q. In other words, the fellows who did the rough work, made it easier for the fellows who are going to be on the Board.

A. (No audible answer.)

HON. MR. NIXON: Q. I was going to suggest that maybe the continued presence of the two governments in this set-up might give an air of respectability to what otherwise might be regarded as a gigantic trust or combine.

A. I do not think there has been anything which has not been respectable; do you?

MR. DREW: There is just a slight suggestion of that.

HON. MR. HEENAN: Q. In that connection, would you like to express

an opinion as to how this Board should be appointed? Should it be an industrial Board fortified with the legislation of the two provinces, or should it be a government board or Joint Board between the Provinces and the industries?

A. I would think that a Joint Board between the two governments of the two provinces and the industry would probably be the best approach which can be made to it.

I think you would probably have to have legislation in both provinces to make your policing power complete and I think, as I intimated before, that the final authority should be outside of the industry—and I will not add what I said about politicians. Now, may I continue?

Q. Yes.

A. That, I think, might be the practical solution of carrying out proration in an entirely satisfactory manner.

Linked up to that in a way this morning was the matter of overseas business. That, I think, has to come into the picture of proration in the way that overseas business should be handled by a separate organization apart from this committee of which we have been just speaking. I do not see any particular reason why there should be any direct link between, let us say, the overseas sales company and this committee except to this extent, that one of the rules of proration would be that overseas business would be prorated back to all companies where they actually ship paper into foreign markets or where they do not and that they would absorb on the basis of proration any difference in profits realized on overseas business as compared with domestic business, because in general I think in almost any industry or overseas business you are really into another market. The business you get overseas can be considered as increment business to your home markets; you can afford to take it as increment business and if you do that it should be prorated to the industry as a whole. Do you get my point?

In other words the mill net of overseas generally is considerably below your home mill net and after the present war is over and we are again in competition with our former competitors, the only way that we are going to be able to meet that competition—and this is what I think—is to put up a solid front and share the cost of the business.

THE CHAIRMAN: Q. How should that overseas selling agency be established; by the industry?

A. Yes. At the present time, you know, there are certain companies which have overseas arrangements which are to-day sharing the overseas business. Now, take the Australian business, for instance, that is shared—prorated—between certain companies here.

Q. And you claim overseas business should be prorated amongst all companies?

A. If that class of business is not as lucrative as the domestic business.

MR. DREW: Q. The only matter which would appear to throw any doubt upon that would be the fact that overseas business must depend even more upon the geographical location of mills; must it not?

A. Well, that is the point I have been trying to make. If you have a mill inland here it is not strategically situated for shipping in Japan or China. They may be shipping their entire output to the United States, realizing a much higher mill net. If that overseas business is, let us say for argument, 500,000 tons and the mill net on that is \$2 less than the average domestic, it would be a million dollars. Even if this inland mill actually did not make any part of that tonnage I think it is fair that it should absorb its prorata part of that difference of a million dollars for the reason that the mills making that export tonnage have had to include it in their quota.

You can do one of two things: You can spread the difference in cost, or in distributing the tonnage on the quota basis you could say that a ton of overseas business is worth eight tenths of a ton of domestic business—or something like that. It is just a matter of working it out. One or more sales companies looking after export business would certainly give the Canadian industry as a whole a stronger position in foreign markets and individual companies competing for foreign business. I think that has been brought out several times, has it not?

Q. Then do you think there should be any similar selling organization in the United States?

A. No, I do not think so. I think several selling agencies working in the United States are preferable. I think some of the smaller producers—those of the one or two machine-type I mentioned—could well arrange with some of the larger organizations to take care of the disposition of their output, as is already being done. There are two of the smaller producers which have those arrangements now.

Q. Can you tell us actually what cash investment there is in your company?

A. I cannot carry all these figures in my head, but Canadian International Paper Company and subsidiary companies, which includes New Brunswick International Paper Company—which is the principal subsidiary—with plants and properties exclusive of woodlands, the present depreciated value at the end of 1939 was \$66,556,000. •

Q. Will you repeat that figure?

A. \$66,556,000. The woodlands, less depletion, \$15,728,000.

HON. MR. HEENAN: Q. How do you arrive at the woodlands figure?

A. I am sorry.

Q. I say, how do you arrive at the woodlands figure. Is that the amount of money which was raised on the value of the wood?

A. I am afraid that is a question I cannot answer, because I have only been with Canadian International Paper Company for two years or a little over.

Q. I am wondering if that is the value you put on your woodlands?

A. Here is a note which I think will answer your question.

In the total there is a little over \$82,000,000. At cost of construction or acquisition to this consolidation, less reserves including \$670,000, by which the book investments and stocks owned exceed the net assets applicable to such stocks, as shown by books of subsidiaries at dates of acquisition. That is cost of construction or acquisition.

THE CHAIRMAN: Q. That is the cost of construction or acquisition means acquisition by your company?

A. Yes.

Q. Not necessarily the price paid by other companies to the Government?

A. No.

MR. DREW: Q. What about the shareholders?

A. That is a figure I have not here. Of course, I can say in regard to Canadian International Paper Company, that all the common stock of Canadian International Paper Company is owned by the parent company in the United States, the International Paper Company.

I can tell you in regard to what portion of the funded debt is in the hands of the public, if that would be of interest?

Q. Yes, it would.

A. The funded debt total is \$58,315,000, of which \$37,900,000 is owned by the International Paper Company and \$20,415,000 is owned by others.

Q. Are dividends being paid on the stock of the company at the present time?

A. There has not been a dividend paid on the stock of the Canadian International Paper Company since the company was formed about eleven years ago.

Q. It was formed about eleven years ago?

A. Yes.

Q. There is at least one thing in regard to which there can be agreement, namely, the investment returns have not been too satisfactory in any of these industries?

A. No. As Mr. Belknap said this morning, capital has not received much pay, if any—"wages", I think he said.

Q. I think it can be fairly said, no matter what other criticism there may be of the industry, its present plight is not due to overpayment of dividends?

A. Certainly not. There is, if I might go back to the question of proration, one remark I would like to make: Proration has given the individual units of the industry a certain degree of security. They have been able to plan ahead assuming, of course, that proration would continue and have been able to plan ahead in regard to keeping their mills in good shape, and planning their woodlands operations so that they could be run economically, instead of in the manner which obtained in respect of cut-throat competition when everyone was cutting the cheapest wood, exhausting their cheapest wood, and where they had a mill closed down, they were robbing that mill for parts to keep the mills which they were operating in repair, and the properties were getting to be in a deplorable condition.

With proration in effect, the last two years or more—and I believe it was really in effect to some extent prior to two years ago—I know in our mills, at least, and I think it is general, we have felt it was wise to build for the future along the lines of which I have spoken, planning woodlands operations ahead, particularly so that we were not using up all our cheapest wood in current operations, and we felt it was well to get our plants back into good shape.

HON. MR. HEENAN: Q. Can you tell us how many mills are now operating under proration in Quebec?

A. I think I can tell you that in just a second.

Q. I do not mean companies; I mean mills.

THE CHAIRMAN: If you do not mind, gentlemen, we will now adjourn until a quarter to four. Colonel Drew has some important business to which he wishes to attend.

(Resuming.)

HON. MR. HEENAN: Mr. Chairman, you were on proration, and I want, before we get away from proration, to ask one question.

THE CHAIRMAN: All right.

HON. MR. HEENAN: Q. How many mills were there in Quebec when it was under proration,—I think it was pointed out that there were twenty?

A. Twenty.

Q. And there are ten in Ontario. That is thirty mills; and yet there is only a disparity of sixty thousand tons in the two provinces, amongst thirty mills. So that even the Committee's administration cannot prevent a disparity of sixty thousand tons, with only twenty mills in Quebec and ten in Ontario?

A. The only unfortunate thing, Mr. Heenan, in regard to that sixty thousand tons is that most of the shortage is in two places. But the performance has been remarkable.

MR. HEENAN: Oh, yes, Ontario got the benefit of practically that sixty thousand tons.

HON. MR. NIXON: Was it a benefit?

Q. That was not Mr. Ferguson, was it?

A. Oh, he is still short.

HON. MR. HEENAN: There are two mills in Ontario which are short fifty thousand tons, and there are mills in Manitoulin.

HON. MR. NIXON: They are not in that picture, are they?

HON. MR. HEENAN: Yes.

HON. MR. NIXON: Q. A gentleman who was here this morning said that one of his mills had been idle for eight years and then the Abitibi has two mills which are idle; that might place the Abitibi in even a worse position?

A. The basis of rating these mills was a little bit complicated; but they took into consideration the cost of producing newsprint in the individual mills, and whether it would be practicable to operate them at a certain price. And on that basis of rating the mills, the two, Espanola and Sturgeon, did not qualify.

Now, the mill at Cap de la Madeleine, it was shown that that mill could have produced at the existing price, and, so far as capacity was concerned, it was rated on its production within a certain number of years back,—I have forgotten how far back they went. But according to their basis of rating, if a mill does not operate or does not go into production, its rating goes down.

That may sound a bit complicated, but that is the best explanation I can give you at the moment. You recall, Mr. Heenan, how, substantially, that was worked out.

HON. MR. HEENAN: Yes.

MR. DREW: Q. In connection with proration, a question has arisen in different cases already, and that is the question of exporting pulp logs. There seems to be a wide divergence of opinion as to the wisdom of exporting raw pulp logs. What is your opinion in regard to that?

A. There is a live issue. There are a number of influencing factors. In the first place, there is the question of whether you are using up forest capital which you will need for the future to support your present mills, in exporting wood.

I do not know what your inventory situation is in this province; but I think, before one can say whether or not it is economically sound to export wood, the inventory situation has got to be considered.

The second point is that if you allow wood to be exported, is it going to be

used for the manufacture of products which are going to compete with your own products? To illustrate the point there: up until the beginning of the war a good many thousands of cords of pulpwood were being exported from one of the eastern provinces to Germany. As a matter of fact, it ran into hundreds of thousands of cords over two or three years. The manufacture of that wood in Germany into newsprint, and particularly into pulp, which was again exported and subsidized, certainly had a very bad effect on the marketing of our own products in the United States and South America and other export countries in the world.

That is an aspect which certainly merits consideration.

I think that, unless it is a matter of national economy, the exportation of pulpwood from freehold or private lands is within the rights of the owner. On the other hand, I would like to see the time come when it may be possible to make it attractive enough to the owners of freehold wood to deliver their freehold wood to our own mills. There is one mill in eastern Canada which runs almost entirely on freehold wood.

Q. What mill is that?

A. In fact two mills,—two mills of the Brompton Pulp and Paper Company at East Angus, and at Bromptonville.

THE CHAIRMAN: Q. That is in the eastern townships?

A. The eastern townships, yes. I often wonder if it would not be possible to work out some plan, whereby more of this settlers' wood that goes to the United States could be brought to our own mills.

In the Province of Quebec, settlers' wood cannot be shipped out of the province, I mean out of Canada, until the lot is patented; and, if I remember correctly, it takes a period of something like five years before the lot can be patented, after the location ticket is granted.

But I think that our mills would be willing to use more settlers' wood, if they could be assured of continuity of supply from those sources. My experience has been, that you may get several thousand cords of settlers' wood this year, because things may be a bit depressed on the other side of the line; but as soon as things pick up a bit over there, the price that is offered for the wood is substantially more than it costs, cutting on your own lands.

I think that is something which should be carefully studied, as to the diversion of settlers' wood to our own mills, and the conservation of the timber on our own limits.

MR. COOPER: Do not the settlers get a better price for that wood in the United States?

A. I think very likely they do.

Q. Why is that?

A. Because, very often the cost of production and delivery of wood from our own limits is lower than the price that American mills are willing to pay.

When I say that a study should be made to see if we cannot divert some of this settlers' wood to our own mills, that might be done through a preferential rail rate to our mills.

MR. COOPER: That is a good idea.

WITNESS: I know lot of cases where thousands of cords of pulpwood go right by mills' doors and go out of the country.

MR. SPENCE: Q. Is not part of the problem that mills object to buying in small quantities from settlers, say fifty-cord lots?

A. I do not see any reason why they should object, if they can be assured of a continuity of supply year by year. Once they get their buying organization there to buy from settlers, they would find that the wood was going to the United States in the following year.

In other words, you cannot be jumping from buying settlers' wood in large quantities in one year, and switching over to your own wood the next year, or vice versa.

Q. But surely you can compete when it is going away to a long distance, and you have an independent operator who buys from the farmers, and where is his market?

A. The wood goes, at the present time, where it realizes the highest price, there is no doubt about that.

MR. DREW: Q. Why would our own mills not be able to pay as good a price as the American mills?

A. Well, they have their own carrying charges for instance, on their own properties; they have ground rent, fire protection, and their investment in their timber lands, which they have to amortize, and stumpage charges.

Those costs, on top of all, in conjunction with their own operating charges, in general, bring their own wood to their mills at a lower cost than a good deal of this wood that is going to the United States.

Of course, there are some places where considerable purchase wood can naturally come to the stream on which the companies are operated. But I am talking of the wood which is outside of that pale, which does not come to the Canadian mills at the present time because, principally, of rail freights and competition of foreign buyers.

THE CHAIRMAN: Q. What is the area of your limit in Quebec, Mr. Carteret?

A. I do not remember what the division is between Quebec and New Brunswick, but between the two provinces our holdings are approximately twenty-one thousand square miles.

Q. And most of that, I suppose, is held in your own limits?

A. Yes.

Q. Do you own any substantial areas of freehold lands?

A. No, but there are some small areas here and there. I do not remember the area now, but I do not believe the freehold holdings are of very great extent.

Q. What about the cost of fire protection,—what would it be for your company?

A. It varies in different regions, from three-quarters of a cent per acre to a cent and a half an acre.

Q. That would mean \$4.80 to \$9.60 per square mile?

A. I believe your calculation is correct.

Q. What is the total cost of fire protection to your company?

A. Oh, I would say that the average would be ——

Q. About a cent an acre?

A. Probably a little more than a cent an acre.

MR. DREW: Q. Then I gather from what you have said that you do not think there has been a sufficiently comprehensive inventory of our actual wood situation to determine exactly what should be done in regard to export?

A. I am not saying that there has not been, but I just raised the question as to whether there has been. I do not know. We are talking about the Province of Ontario, and I do not know. I know very little about the timber lands in Ontario.

Q. Do you know if it has been done in Quebec?

A. In the Province of Quebec, under our Crown Lands Regulations, if one does not wish to adhere to the diameter limits of years ago, which are practically obsolete so far as working operations are concerned, we have to submit inventories and working plans. And the practice on which cutting is permitted under the working plan is that the cut shall not exceed eighty percent of the annual increment.

Now, under those working plans different methods of cutting are permitted. Mature and over-mature stands, particularly where the trees are shallow-rooted, as mentioned by Mr. Belknap this morning, clear felling may be permitted, provision being left for seed trees, either in individual trees or in clumps of trees which will not blow down.

Mr. Belknap mentioned this morning about trees having been left, which later had been turned over by the wind.

These plans do not always work out as they are laid out. Sometimes trees which are expected to be wind-firm are overthrown. But that is not proof that the plan is not a good one.

In young stands, growing stands, the practice is to thin them.

HON. MR. HEENAN: Q. Have you any lumber in connection with your industries?

A. Do you mean cutting of logs for lumber?

Q. Yes?

A. Yes, we have, in certain sections, we cut some logs on the Gatineau. We have a sawmill at Calumet.

Q. You use it yourself for your own lumber mills?

A. Yes, we have a mill there in which we cut some of the pine, some of the spruce logs, and some of the jackpine.

Q. Does the Government retain any right to any species of timber on your own limits?

A. No, we have the exclusive cutting rights of all species under our license.

Q. And you cut your own large logs?

A. Yes.

Q. Do you cut your own large trees into pulpwood, then?

A. Unless we have a sawmill. The whole stand which is cut is converted into pulpwood in a good many instances.

Does that answer your question?

Q. We reserve the right here to sell logs over a certain diameter to any other concern, and I was wondering if you had the same thing?

A. No, we have not.

MR. DREW: Q. Are the areas designated where you may do your cutting on the ground or on the plans presented to the Department?

A. They are designated on the working plans, and then they are laid out on the ground in accordance with the working plan.

Q. By your own men?

A. By our own forest engineers and superintendents, and they are inspected by Forest Engineers and District Foresters in the employ of the Government.

In other words, the regions in which operations are being conducted are divided up into districts, and under district foresters, who has a number of inspectors under him. These inspectors check up as to whether the conditions of the working plan are being carried out.

HON. MR. HEENAN: Do you think that in the interests of the whole, the forests and the creation of wealth, it would be a better investment to utilize the various areas of timber, such as sawlogs, into lumber rather than to cut it for pulpwood?

A. Well, you may disagree with me on this point but I do not think that it is practical to have two different concessionnaires occupying and operating the same areas.

Further than that, the lumber industry in eastern Canada has gone down hill. It is not what it used to be. I do not think it will ever again be the important factor that it was thirty years ago. I do not think that in eastern Canada by and large of course—there are always exceptions to every rule—I do not think that a lumber business can be run successfully and profitably and economically from the standpoint of utilization unless it is right at the back door of a pulpmill because of the waste that is involved in utilization where you are just cutting sawlogs.

Q. Well, maybe I should have put it in another way. Assuming that there was a market for lumber and that they could establish efficient, up-to-date sawmills and that they could get the larger logs of these pulp concessions, even though they may have to depend on the larger concessionnaires to cut it for them at a reasonable price, do you not think it would be more valuable to the country as a whole if the larger logs were cut into lumber?

A. In our own experience, no. Down in the province of New Brunswick, for instance, we have operated a sawmill down there for I don't know how many years. But I was interested in looking over the operating costs for five years. They have a modern mill there. It is right on the Miramichi River where they can load direct from the yard right into ocean going vessels drawing 25 feet of water, and there was only one year in the file that that mill was not in the red.

Q. They had to depend on overseas trade, though?

A. Not necessarily. They could ship into the Boston market by rail, not so very far away. The Boston market is a good market for lumber from New Brunswick. The trouble with the sawmill business down in our province—and when I say “our province” I am talking about the Province of Quebec—is that there are about 1,800 small country sawmills that saw everything that will make a 2 by 3 six feet long and up, and they have no overhead. A good deal of their wood comes from farmers' lots, and they sell it mill run to the various dealers that come around. The city of Montreal is just flooded with that sort of stuff that is just coming in for all of this cheap building that is going on.

Q. I am beginning to wonder what we are going to do with our pulpwood and our lumber. I think it was Colonel Drew who read that somebody had

said we had the largest available timber areas in the world. And some gentleman here has suggested that we cannot sell our newsprint except by proration; we should not establish any more pulp mills; we should not export our pulpwood; we should spend more money protecting the forests; we should spend more money in research; and I am just wondering what we are going to do with all this lumber?

A. Well, we are using a lot more of it than we did 30 years ago, aren't we?

Q. I think we are getting into a discouraging position. We can't sell our newsprint and we can't establish more mills; we should not cut it into lumber and we should not export it.

MR. COOPER: We had evidence —

HON. MR. HEENAN: I don't want to lose my job!

MR. DREW: I quite agree on that!

WITNESS: I do not think that we should get discouraged about that. I do not think that we have reached the limit of our manufacturing activity in the pulp and paper industry in this country. We have just got to go back and look over the record of the last 30 years and see what this industry has grown to mean to Canada. There was a burst of enthusiasm a few years back which was very costly, and in conjunction with the depression we have had the devil of a job to try to get over it. We are going to continue to live not forgetting all that foolishness in the way of these communities that have got to be supported or these mills, some of which needlessly sprang up. I think it would be better, and you may think I am radical in this, to let a lot of that timber rot right where it is than to assume the obligation for future generations of mill towns that would result from building mills when we cannot see that they are going to be able to carry their load after they are built.

Now, the matter of getting money to build mills, we have seen that too often. Under certain conditions it is easy enough to get investors to put money into it. But what is going to happen 20 years afterwards? Are they going to be able to compete?

I understand that suggestions have been made that further mills might be built in this province, that is, pulp mills. There is that great big market to the south which Scandinavia has been supplying with hundreds of thousands of tons of pulp that have come up from the St. Lawrence and the Atlantic seaboard. But, as I said earlier this afternoon, we have not been able to hold what we had ten years ago because we just can't compete with them. Are we going to be able to compete with them when this war is over, when they get back producing again? That is what I fear when anybody talks about building more mills.

HON. MR. HEENAN: You gave some figures here earlier in the morning to the effect that 1,400,000 tons of different kinds of pulp sulphites and sulphates came over from the Scandinavian countries. If we had someone come into this country and say to us, providing that we can give a price on timber, location, water power, transportation and so on, we can get that market—I can get that

market now; I can get so many thousand tons a year for ten or fifteen years; would there be any harm in letting that man in?

A. You say you can get a guaranteed market for ten years?

Q. Yes.

A. What is going to happen when competition comes again from Scandinavia? There may be that guaranteed production in these mills, but at what price is it going to be sold at? It is going to be sold in competition with foreign pulp, is it not? You are going to have somebody here to-morrow, I understand Mr. Robinson, President of the Canadian Pulp and Paper Association, who has been marketing pulp all over the world for the last 25 years. He can tell you all about pulp. So it is just a waste of time for me to talk much about it. But I asked him the other day about it. I said, "In the depths what was bleached sulphite selling for in Wisconsin?" He said it was selling delivered at lake ports there, as I remember it, for \$34.00 a ton. "Well," I said, "what would the equivalent mill net of that be at Gatineau, Quebec, where we have an unbleached sulphite mill, or at Hawkesbury where we have a bleached sulphite mill?" He said it would be about \$28.00 a ton; \$4.00 freight for us to put it over to the same place. Well, we can't make bleached sulphite for \$28.00 a ton and include all our interest, depreciation, and so forth, on investment.

Q. Will you agree with this, that rather than let our natural resources rot, we should concentrate on making an effort to get our costs down, so that we can meet that competition?

A. I am willing to try anything. I think we should try everything that we can. But how are you going to meet competition of mill wages over on the other side, that are only a fraction of ours under normal circumstances? I will just pick out a few for examples. We are talking about pulp. Digest of cook in Norwegian mill—39 cents an hour.* In the American or Canadian mill it is 85 cents an hour. Suppose it is that you are going to compete with this pulp that comes over, that is almost 95 percent dry. Machine tender, Norwegian mill—44 cents an hour. American mill, the same width machine—\$1.32 to \$1.37 an hour. Corresponding comparison of wages, back-hand—33 cents against \$1.16; and so on down the line. How can you compete with those wages, for one thing?

HON. MR. NIXON: Have you the wages in the bush?

A. I beg your pardon?

Q. What are the bush wages?

A. I do not think there is anything in here on bush wages.

MR. COOPER: Your company has a large sulphite mill down in the southern States, has it not?

HON. MR. HEENAN: Will you let me finish, Mr. Cooper?

MR. COOPER: Yes.

HON. MR. HEENAN: My next question is related to that. I do not know what proportion of the cost per ton is labour; at least, I have not it in my head at the moment, but are there no further economies that we can concentrate on making to compensate for the difference in wages, such as transportation, power, stumpage dues and different things of that kind? Those represent the heaviest end of our production. Is it not worth while making an effort?

A. It is certainly worth while and I think it would be a grand thing to try it, to make every effort we can to meet that competition, because we are going to have it. I do not think I am taking any defeatist attitude in this thing at all, I am just trying to emphasize the fact that before we build any more mills, let us do everything that you have just mentioned there; see what we can do and assure ourselves that we are going to be in a competitive position before we chain ourselves to an investment in mills, and to building up a mill population which may prove embarrassing in the future if the thing does not pan out, as lots of these things have not in the past.

I am not adopting a defeatist attitude at all; I am all for doing everything we can to increase the manufacturing of our raw materials in our own country.

MR. DREW: After all, Mr. Carteret, it seems to me that it is an anomaly to consider at the same time proration and construction of new mills, because if we are in a position where new mills are needed, there would not be any justification for proration?

A. Well, I think, Colonel, that the conversation we have just been having now was in regard to pulp mills. I do not think that Mr. Heenan had in mind any more newsprint mills.

HON. MR. HEENAN: No, it was pulp mills.

MR. DREW: Do you share the opinion expressed by other witnesses here, that the pulp mills at the present time in existence are adequate to take care of immediate prospective demands?

A. Yes.

Q. In bleached sulphite pulp as well as in other types of pulp?

A. Normal demand under normal circumstances. We are in abnormal circumstances, of course, due to the war. But taking into consideration the foreign competition which we have to go up against in normal times, I would say yes, that our capacities here are adequate for the time being.

HON. MR. HEENAN: Assuming that these 1,400,000 tons a year are not going to come across to Canada, have you sufficient capacity to fill that in Canada?

A. No, I do not think we have.

Q. Who will supply that market?

A. I don't know where it will all come from.

Q. That is the point I am trying to make. Is this not our opportunity to try to utilize our own resources, not only to capture this business, but to hold it? It is on our continent. The market is there.

A. Do you think that you can jump in and take all that, and have several mills to take care of all that and hold it? What proof have you that you are going to hold it?

Q. You will never hold it if you do not make the effort?

A. No; I agree with that a hundred percent. But it is a long way to go to prove that you are going to be able to hold it.

You take back in 1937, the paper economists and all the rest of them had it figured out that there was going to be such a world shortage of pulp, they would not even call it pulp, they called it cellulose. They could not call it anything but cellulose. Pulp was too lowly a name for it. But there wasn't any world shortage.

MR. DREW: Mr. Carteret, as I remember it, the southern pine development came from long years of research in an effort to find some use for a pine that had not been in practical use in the manufacture of paper?

A. That is right.

Q. In other words, the existence of the pine and the hope of creating a new industry stimulated the research. Now, is that not a lesson for us here in that we have on these timber areas controlled by companies, low grades of timber as well as the better grades which have been used in the past? Would it not be highly desirable that, prompted by the same motives which produced some results in the south, extensive research should be continued in an effort to utilize the lower grades of timber to get our costs down, so that we can meet world competition?

A. I think that that is one way that we can very probably reduce our costs, in finding a way to utilize what we term now some of our weed trees. I do not know whether you consider jack pine a weed tree in this province, but we do in the Province of Quebec. And at the present time, we are using between five and ten percent in some of our pulps.

But I think there is a big field there to find the way to use jack pine.

THE CHAIRMAN: Your company has spent considerable sums of money in research work in the past, has it not?

A. Yes; we are spending it all the time.

Q. I beg your pardon?

A. We are spending it all the time on research. And, in addition to that, of course, there is the Research Institute of Canada which is located in Montreal. Some comments were made in regard to that this morning. I think the Institute

is going to become more effective from now on than it has in the past, because of reorganization of administration and internal affairs.

Q. Who is in charge of research work at McGill University?

A. There is what they call the research council, which is composed of members of the faculty of McGill, certain executives of the pulp and paper industry, and I am quite sure certain nominees of the Dominion Government.

Q. But who is in actual charge of the work, who directs the work there?

A. That is the place where this improvement which I speak of is to take place very shortly— a very active director of research. That is all I am at liberty to mention at the moment, because it is just in the position of being consummated.

HON. MR. HEENAN: Mr. Cooper, I am sorry I interrupted you a little while ago.

MR. COOPER: Mr. Carteret, your company have large sulphate factories down in the southern States?

A. Our parent company has. Canadian International Paper Company has no interest in the south.

Q. How are they competing with this Scandinavian pulp?

A. The consumption of box boards and all kinds of containers, which Mr. Belknap mentioned this morning, has grown by such leaps and bounds in the United States, that those industries have absorbed what has been produced in the United States, as well as very substantial quantities of sulphate pulp from abroad. I am just wondering if I have the figures here. I do not seem to have the figures. As I remember it there were some 500,000 tons out of the figure of 1,400,000 tons of sulphate pulp imported into the United States.

Q. What woods do you utilize there, the pine?

A. Well, you can. For the sulphate pulp which is made in this country you can use spruce, fir, hemlock and jack pine. In the south they use the southern pine.

A good deal of that sulphate pulp which came in from Scandinavia was of very high quality and it was used for all kinds of fancy coloured wrappings, which need strength, and for making manual boards and tags and all that sort of stuff.

Q. We had some evidence the other day that left somewhat of a mystery in connection with the floating of hardwood over the Scandinavian countries. I understand you have had some experience with that in Canada; is that right? I am talking of the floating of birch.

A. I personally have not had any experience in floating birch, and I do not know whether our company has. I know that it is quite practical to float

it short distances early in the spring when the water is cold. I do not think any practical method has been evolved of floating birch long distances where it is in the water for a long time in large quantities.

HON. MR. HEENAN: I think it was stated here by one gentleman who was giving evidence that in the manufacture of newsprint from southern pine—I do not know that they had to but they did purchase some spruce from some province in Canada and mixed it.

HON. MR. NIXON: Newfoundland.

HON. MR. HEENAN: Yes, Newfoundland. Do you know anything about that?

A. No. But the fact remains that they are making at that mill in Texas newsprint which is improving rapidly in quality. I saw a sample of it only the day before yesterday which compared with a sample which I had received two months ago. There was a remarkable improvement in the quality of the sheet.

MR. DREW: That is from the southern pine?

A. Yes.

THE CHAIRMAN: Gentlemen, I do not want to rush the members of the Committee but Mr. Carteret is quite anxious to leave this afternoon for Montreal.

MR. COOPER: Mr. Chairman, before the Committee adjourns—

THE CHAIRMAN: I am not going to adjourn—some other members may have questions to ask—but I would ask that you be as brief as possible.

WITNESS: I have plenty of time yet. I do not have to leave here for quite a while yet, as long as I get the bus at six o'clock from the hotel.

MR. SPENCE: You have had proration in force for some two years and practically everyone feels that it has been of benefit. Have you any view about it? I should like to get your opinion in this respect, as I presume it is the same in the province of Quebec as it is in Ontario. In your opinion is it not a detriment to new capital coming in here taking hold and utilizing these cheap species of timber if we are going to have proration? I see many points in favour of it but there are many points against it, in my opinion, and that is one of them. I should like to get an opinion from one who is in touch with the utilization of our forest products?

A. Well, my answer to that is this, that if you have got to sacrifice the benefits resulting from proration to get other industries into the province you have got to make up your mind as to whether it is worth the cost. Because, put proration out of the window, let everybody run wild, and everybody may not want to run wild, but there may be one or two individualists that think they are strong enough to swing the world by the tail, then the price of newsprint won't stay where it is. You can see where it was before, down to less than \$40.00.

HON. MR. NIXON: There is no suggestion of prorating pulp, is there?

A. No.

Q. Never has been?

A. No. But I take it from the member's question or point—I think his point is that if you have proration in the newsprint industry that they may frighten capital away from coming in and developing other wood using industries for fear that proration may be extended to them. Is that not your point?

MR. SPENCE: That is the point exactly. Then I believe those who have timber areas here or concessions certainly should do something towards the production of these cheaper grades; that is, they should put in extra equipment to manufacture pulp. You say we can't compete with the Scandinavian countries?

A. Maybe I am wrong. Maybe I have been too positive we cannot compete. I should say we have not been able to compete. But Mr. Heenan has brought out very well and very strongly the point that we should not just sit idly alongside and do nothing; that through research and so forth we should see what we can do.

Q. Absolutely. There is a great opportunity here to manufacture this other grade of pulp. Our aim should be to encourage production in these large areas which we have in the province.

A. Absolutely, if you can produce and market on a sound basis, that is going to bring you in a little more than each dollar you spend.

Q. When you said we were unable to compete with Scandinavian countries you were figuring that we were using our high grade spruce to make that pulp to compete with the lower grade wood in Scandinavia?

A. No; they are using high grade wood over there too. They are using just as good wood over there as we are.

HON. MR. NIXON: You said their pulp was a very superior product did you not?

A. No, I did not make that statement, but I said that they were making a good many higher grades for use. I made the reference just now for use in high-grade wrappings, and so forth.

Q. Yes, that is what I thought.

A. But we can make just as good pulp as they can.

MR. DREW: I am going to come back to a question which we have got away from several times, namely, that of export.

The contention has been made from time to time, that export does not interfere with manufacture in Ontario, because it is going to mills which are

not making the same kind of article which we make here. What have you to say to that argument?

A. You are now speaking about wood going from this province into the neighbouring states to the south. Is that correct?

Q. Yes.

A. Wood which we ship to the states referred to, may or may not be releasing other wood, which would otherwise be used in newsprint or other products with which we have to compete. I do not think there can be any doubt about that.

Q. Would you say, in your opinion, the export of pulpwood from Canada is likely to be detrimental to the manufactured production of pulp products in this country?

A. Over the long pull, yes.

HON. MR. HEENAN: Q. How long would that be?

A. Well, when this province and the Province of Quebec prohibited the export of pulpwood from Crown lands, there was immediate impetus to build mills on this side of the line.

I have discussed and argued that point with my friends several times, and some of them say the mills were to come up here anyway, but they have always had to agree with me that the prohibition hastened a great many of the mills coming up here, and I feel that as we can increase manufacturing up here economically, it is going to be by improved methods, it is going to be in more modern plants and over the long pull, a lot of these older converting mills in the United States are not going to be able to compete with us. That is what I mean by "the long pull".

As long as we keep letting substantial quantities of wood go out of Ontario into these states which have converting mills, they are going to patch up and put in new machines here and something else there, and improve and try to keep up, because it is natural that they do not want to pull up stakes and come into a foreign country to do business as long as they can do it at home. That is common sense, is it not?

MR. SPENCE: They certainly do not want to go to Finland, anyway.

THE WITNESS: Pardon?

MR. SPENCE: I say, they certainly do not want to go to Finland.

MR. DREW: Q. From your discussions in the United States on this subject, I am sure you believe it was the prohibition of export which hastened the erection of mills in this country?

A. Absolutely.

Q. And, subject to such questions as labour factors involved, and the necessity of gradual change in any of these companies, would you say you believe it would be desirable that we export as little as possible of the raw pulpwood?

A. Yes.

HON. MR. HEENAN: Q. Going back to discussion of the long pull again. For a great many years, we had prohibition of the export of pulpwood from these provinces, figuring that we were going to shorten that pull to the day when we were going to make them bring their mills over here. It was a long, long pull. You have said in a way, I think, "I do not think very seriously, that it would pay in the long pull, to let our timber rot in order to save the situation in respect of posterity." I am wondering how long that pull is going to be, how long we are going to have our wood going to rot in the bush, and our unemployed walking the streets and kept on relief.

HON. MR. NIXON: And still not open mills in Ontario.

HON. MR. HEENAN: No.

Q. Would it not be better to export and get the value of it, rather than to let it rot; give our men work and a little bit more muscle?

A. The more wood you let go out of this country of ours, the more you are going to delay the long pull development of manufacturing in this country. How long that pull is going to be I do not know, but I will give you an example.

I used to be connected with a company in the United States which makes high-grade papers of all kinds, and back in 1920, or around there — was that when pulpwood went to such a price?

MR. E. E. JOHNSON: Yes.

THE WITNESS: — they paid as high as \$40.00 a cord for a few cars of wood delivered at their mill. They had to have it, and they paid as high as \$40.00 a cord for that wood. They got their wind up and they bought a property — a freehold property — down the St. Lawrence as a source of supply for their mill. I was with this company for eight years. I helped develop that property as a source of wood for the plant in the United States, and prior to buying that property, they operated for over 25 years without owning a stick of timber. For the last five years of the eight I was with them, they spent most of their time figuring out what they could have done with the money they put into that property if they had not bought it. They were sorry they had made the investment, because they had the whole St. Lawrence waterways from Duluth to the furthest part of Anticosti to draw on for their wood supply.

In addition to buying that timber land property in the Province of Quebec, they were seriously considering building a mill in this country, that they bought a plant site on the Welland Canal. That was back as I say, around 1920. But with this free wood which they could draw on for the whole of the St. Lawrence waterways system, they will never build a mill in this country. That is why I say, the more wood which goes out of this country the more the delay in increasing the manufacture of our wood into finished products in this country.

HON. MR. HEENAN: Q. Have you any idea how many cords of settlers' wood are shipped annually from Quebec?

A. Freehold wood, there was practically — oh, will I answer your question first. I think the peak was a little over one million cords, and what it has been the last two or three years would be probably seven hundred thousand cords or thereabouts. Now, that is just a guess.

Q. How much?

THE CHAIRMAN: 700,000 cords.

MR. DREW: Q. To where does that go, mostly?

A. A considerable portion goes up the Great Lakes, and a lot of it goes to the northern New York mills. Some of it goes to West Virginia.

Q. I am sure from your statements that you have had direct contact, extensively, with the mills in the Wisconsin area?

A. No, personally have not had contact with them, but I was in the woods end of the industry for twenty-five out of thirty-two years that I have been in the industry, so I could not help but absorb a little about it.

Q. The reason I ask the question is that I am interested in this point: When the mills were originally established in Wisconsin, to where did they go for timber?

A. I think they used local timber; that is the first mills.

Q. Yes?

A. As to what mills sprang up as merely converting mills, I do not know the history.

Q. Am I correct in my understanding that cutting methods were such in the proximity of the Wisconsin mills, that they reduced their immediate supply to a point where, in any event, it became necessary for them to look elsewhere for pulpwood.

A. I have no direct knowledge of that, but I would presume that their methods of cutting were substantially the same as in the eastern part of the United States, which has been largely depleted of its forest capital.

Q. My understanding is that the available cutting areas in the proximity of the Wisconsin mills had been depleted by improper cutting methods.

A. As I say, I have no direct knowledge of that, but I guess you are right.

HON. MR. HEENAN: Gentlemen made the statement here, that you go along the river for two or three miles, and see all these mills in Wisconsin, two or three miles apart, and that their yards are piled high — piled high, mind you — with

Ontario wood. Do you think, as an expert, one would be able to go around and say, "That stick is from Ontario, that stick is from Quebec and that stick is from Manitoba?"

A. You would be a pretty good wood expert if you could. Maybe you could tell by the stamp marks.

Q. In our direct markets here when considering whether or not export is the proper thing, I think everyone agrees with you, sir, if we can get manufacturing here it is the best thing to do; but in our neighbouring states—right across Lake Superior—my recollection is that they use somewhere in the neighbourhood of about 3,000,000 cords a year, and 300,000, 400,000 or 500,000 cords will not keep those mills running. It is but a very small percentage of what they really use, and the general statement made was that the yards were all piled high with Ontario wood, so it appeared to me that they must be getting it from other places, such as Quebec. As you say, they come right up the St. Lawrence and over Lake Superior. Very often it is said that it comes from Ontario and it does; it comes through Ontario waters?

A. As I said before, I cannot see that we can morally put the brakes on freehold wood being exported, unless we assure ourselves that it is in the national interest to do so, but when it comes to Crown lands which are held under lease, it is the responsibility of the Government to decide whether they are going to profit in the present to the detriment of the future.

And it is a pretty hard problem to solve, particularly when we have gone through a depression such as we have, and the calls for relief have been so heavy and provincial income has been so reduced. Circumstances may have been sufficiently extenuating to permit what was done in regard to the export of wood—it may still exist; I am not competent to say whether or not—but I still maintain, as I have said several times, that I am firmly convinced if exportation of these substantial quantities of wood is allowed to continue, it cannot do anything else but delay our industrial development in the future.

Where the point of stopping or reducing is, I am not competent to say. Nor do I think anyone of us present is competent. I think it comes within the same range; that it should be studied very carefully, just the same as the utilization of other species and the reduction in the cost of utilization of all of them.

MR. DREW: Mr. deCarteret, is it not a fact that at the moment, we really need a great deal more research, not only from the point of view of utilization of products, but research in regard to our actual assets, their use, their preservation, and the most effective means of controlling them, from what you have described as the long-range point of view. Would you not agree with that?

A. You are now speaking generally of the country as a whole?

Q. Yes?

A. Yes.

Q. In other words, let me put it this way: I have found from the beginning of our consideration of this problem, the greatest difficulty in getting an accurate

analysis of any single phase of the problem. Do you not discover the same difficulty?

A. Yes. I might go back to 1930 or 1931, which I think, was when the so-called Bankers' Committee was trying to solve the problems of the industry. You will probably remember that. Most of the newsprint companies submitted very detailed questionnaires to this committee; we studied them for a year, and it was surprising to find the divergence of opinion which existed on the simplest subjects. I think one benefit of that study was, that it certainly got the members of the industry talking in the same language, to a certain extent, in regard to what constituted costs and so forth.

HON. MR. HEENAN: Q. It is only in recent years that these mills have built up or established in Southern pine?

A. Pardon?

Q. It is only in recent years that these mills have built up or established in Southern pine?

A. As far as making sulphate pulp for box-board and Kraft paper is concerned, that has been a development, I would say, of the last fifteen years, but it has had its greatest impetus probably in the last seven or eight years. In regard to the conception in making newsprint in the south, Doctor Hurtey, in 1930, I think, made his first samples of the newsprint sheet in an experimental way.

Q. What I am thinking about is, that we had Colonel Drew on the job, and we made an endeavour to cut down the cost of production of so-and-so and salvage our mills; those mills in the south might never have come up?

A. The question you are putting seems to be hypothetical.

THE CHAIRMAN: Gentlemen, unless you have further questions of Mr. deCarteret, I would like to ask him:

Q. What are your costs of power in Quebec?

A. I think my answer will have to be the same as Mr. Belknap's this morning, that contracts of long standing were at low rates and more recent ones are higher. What our average price is, I could not tell you off-hand, but I know of contracts which have been extended or renewed or increased during the last year of prices, varying from \$18.00 to \$24.00, depending on the distance the current taken travels from the generating station.

Q. Where does your Gatineau mill get its power from?

A. From the development of the Gatineau Power Company, on the Ottawa River.

Q. From the Gatineau?

A. Yes.

Q. Mr. Belknap told us this morning that power represented twelve percent of the cost of his quota. Would the figure for your company be the same?

A. I am sorry that I am not informed as to that.

Q. You cannot give us that figure?

A. No.

Q. Very well. We are much obliged to you for coming here and giving evidence to this Committee.

A. I am sorry I could not answer your questions more fully, but I can say I have really enjoyed being with you and I hope the information I have given will be of a little assistance. If at some later date our company can be of any assistance to you, please count on us.

THE CHAIRMAN: Thank you.

MR. COOPER: In view of what was said to-day in regard to the questions of proration and exemption, I would make a motion that at least two people be called. I would move that Mr. A. A. Schmon of the Ontario Paper Company and Mr. Earl Rowe of the Great Lakes Company, be invited to attend, and let us have the benefit of their evidence.

I am not suggesting that they be subpoenaed, but that they be invited if they wish to come.

THE CHAIRMAN: If they wish to come?

MR. COOPER: Yes.

THE CHAIRMAN: What you have in mind is, that we write to them and inform them that if they wish to give evidence to this Committee, it will hear them?

MR. COOPER: Yes.

THE CHAIRMAN: Is it the pleasure of the Committee?

(Carried.)

THE CHAIRMAN: We will now adjourn until 10:30 a.m. Thursday, May 2nd, 1940.

(At 5.00 p.m. the Committee adjourned until 10.30 a.m. Thursday, May 2nd, 1940.)

TWENTY-NINTH SITTING

Parliament Buildings,
Thursday, May 2nd, 1940.

Present: Honourable Paul Leduc, K.C., Chairman; J. M. Cooper, K.C., M.P.P.; Colonel George A. Drew, K.C., M.P.P.; A. L. Elliott, K.C., M.P.P.; Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P.; F. R. Oliver, M.P.P.; F. Spence, M.P.P.; Dr. H. E. Welsh, M.P.P.

CHARLES VINING, Recalled.

MR. DREW: Q. Mr. Vining, when you were last here, we were discussing the question of exporting pulpwood, and that is a subject that has been under consideration very actively. I would like your own opinion in regard to the wisdom or otherwise of exporting raw pulp logs?

A. Well, I must answer that question, warning you that I answer from a newsprint point of view—naturally I am primarily interested in the newsprint industry. From a newsprint point of view, obviously, the export of raw pulpwood is not a good thing, because it is the export of the raw material that is used for the manufacture of newsprint, and which directly or indirectly supplies competing producers with their raw material. I don't pretend to express any opinion on the wider aspects of the export of pulpwood, the social aspects that may be involved; from a newsprint point of view, I would say we would not regard it as a good thing.

Q. Dealing with it purely from the point of view then, of the question of the industry, one argument that has been offered in answer to the suggestion that it is not wise to export pulp logs is, that the logs that are exported from Ontario, for instance, to Wisconsin, do not compete with or do not go into an industry which is competing with the Canadian industry?

A. I am afraid I am not quite clear on that.

Q. The argument is this, it is said that the pulp logs that go from Ontario to the Wisconsin mills are supplying mills which make things that are not manufactured by Canadian mills, and consequently, a limitation of export in regard to those pulp logs would not affect the situation?

A. Yes, I see. I have heard the same argument mentioned with regard to exporting of pulpwood from the Maritimes to Germany, say, or European countries. I must say, I think that argument is rather a delusion. It may be quite true that, to use the Maritimes again as an example, that that actual wood, or that the wood which goes from the Maritimes, is not used for actual newsprint production, but it seems obvious to me it must release other supplies of wood which are used for newsprint and which otherwise would not be available.

I am just trying to think of some simpler example to illustrate what I mean: Suppose you have two men operating a leather shop and one man makes boots only and the other man makes both boots and saddles, and the second man

finds he is running short of raw leather supply, he may say to the first man, "Now you have got a good stock of leather on hand, lend me some of yours and I promise I won't use it to manufacture boots which will compete with you, I will only use it to manufacture saddles." I should think the first man would see at once that, of course, he would be simply releasing some supply for the second man to use in making boots that he might not otherwise be able to make. That is the way that has always struck me.

As far as Wisconsin is concerned, I have not analyzed the situation there, but speaking off-hand, there are newsprint mills in Wisconsin and in Minnesota; they are small mills; I think in those two states there are about five newsprint mills, off-hand I would say their production would be somewhere between 80,000 and 100,000 tons a year; I would have to check that, I am just speaking off-hand.

HON. MR. HEENAN: Q. Do you know the names of the mills?

A. The names of the mills? Yes: Wisconsin, River Watab, Manistique.

Q. That is three?

A. Blandin. Blandin and Watab, I think I am correct, are in Minnesota, and in Wisconsin there would be Manistique, Escanaba and Wisconsin River. Escanaba, I believe, has not been operating during the last year. I think the other four are operating, and off-hand, I think their total production would be between eighty and one hundred thousand tons a year.

MR. DREW: Q. Have you had any occasion yourself to examine those forest areas of Wisconsin?

A. No sir, I haven't.

Q. The suggestion has been made that if pulp logs are exported from here, they simply release other pulp logs in the United States no matter where they come from, and in that way they are in competition, no matter whether they go to mills not making newsprint or not. What would you say to that?

A. I would say that such statement I would agree with, just as the example I have used of wood going from the Maritimes to some European countries.

Q. Has any examination been made on that subject?

A. Not by me and not that I know of, no detailed examination, but it may have been made by the Pulp & Paper Association or by other bodies.

Q. But so far as you and your committee are concerned, not?

A. No, we have had no occasion to make any real analysis of that at all.

Q. Now, Mr. Vining, have you comparative figures of employment in the industry for the different years since this Association has been in existence?

A. No, I have not, Colonel Drew, the matter of employment, and I would

like to interject something here, if I may, because I can best answer your question in that way:

Q. Yes?

A. When I was last here, Mr. Chairman, I was here rather unexpectedly, unexpectedly as far as I am concerned, and most of my evidence consisted of reading extracts from a report which I was not able to identify, but which I explained to you privately, and which I can now explain to the Committee, was a report prepared for the Hon. Mr. Cote, the Minister of Lands and Forests of the Province of Quebec; I had prepared the report for him at his request, as information for the new administration in Quebec, and I had prepared it on condition that it would be available also to the Government of Ontario and the industry; I had just submitted the report to Mr. Cote and I did not feel free, as a matter of courtesy if nothing else, to submit it in entirety here to the Committee or to identify it. The point was raised and I explained that privately, that Mr. Cote might be willing later to release it. I have since spoken to Mr. Cote about it, and he is perfectly willing that the report should be submitted to the Committee in entirety, as evidence for whatever use they wish to make of it, so I am now in a position to do that, and I have asked our office yesterday to send you some copies for use by your Committee as you choose.

I would mention that because it relates to this question of employment Colonel Drew has asked.

Employment figures are very difficult to give in any detail, because the Dominion Bureau of Statistics, for example, gives employment returns for the pulp and paper industry as a whole, not broken down into newsprint and different products. When I had occasion to prepare this report for Mr. Cote, and that is why I interjected this, I was anxious to show something about the significance of the industry in employment and I found that the figures were not available. We made a rather rapid and preliminary survey of employment in Quebec and in Ontario, by getting figures from certain representative companies, and then estimating them for the entire industry. Our conclusion was that newsprint operations, including the woods in the two provinces of Ontario and Quebec, represented about sixty thousand employees, and taking that on the basis of approximately five to a family, it therefore represented the direct livelihood of about three hundred thousand people. That figure does not include farmers, perhaps more in Quebec than Ontario, who make their living from forest operations by selling wood to newsprint manufacturers, and it does not include employments dependent on newsprint in related services such as transportation and supplies. I am sorry that the only figure I can give you is the estimate we made for Mr. Cote's report, which, as I say, would be about sixty thousand men employed by newsprint operators, mills and woods in the two provinces of Ontario and Quebec, and on that basis they are the livelihood of about three hundred thousand people.

I might add to that that we ourselves have found that subject very interesting in trying to get some information on it for this report, that we are now endeavouring to make a much more complete analysis by communities and by provinces and by taking in the whole country and at different rates of operation.

Referring to the report, if you do choose to make use of this, you will notice the footnote touching on that on page 7.

MR. DREW: Q. Well, there is an analysis then being prepared, is there, of this whole subject?

A. Yes. I don't know how long it will take nor do I know how successful it will be but at least we are making an effort.

Q. Well, what would be the difficulty in obtaining any figures in that regard?

A. We can obtain quite accurate mill figures and I should think we could obtain reasonably accurate woods figures, that is the direct employment represented in the woods by each mill; the fringes are difficult to become exact about, that is the farmers for example who live by forest operations independently, and related services are very difficult to obtain; I don't know that we will be able to touch on them, I mean transportation and supply services of that kind. I think we shall be able to obtain quite accurate figures of the direct employment in the mills and in the woods but the difficulty of course is, or one difficulty is that the Dominion Bureau of Statistics has evidently found difficulty in supplying the woods operations in the newsprint, pulp and other grades of paper.

Q. In so far as the operations are concerned within the mills themselves have you figures of those, figures of employment in the mills?

A. I have some; I haven't got them with me.

Q. So that you are not in a position to give them?

A. No, I am afraid I am not.

Q. Have you figures of the export of pulpwood from the Province of Quebec?

A. No, sir, I have not. I understand, by the way, that you are to hear evidence from Mr. Robinson, President of the Pulp & Paper Association. I think that that is a matter that he might much more appropriately deal with.

Q. Have you any figures that would enable you to give some estimate of the relation of power to the cost of newsprint?

A. I could deal very generally with the cost of power, yes.

I hope you are not going to endeavour to lead me into details of production costs because that is a subject which I am sure this Committee wouldn't want anybody to deal with in a public hearing, it would be giving information to competitors, and for that reason would be undesirable.

Q. I quite recognize that?

A. Yes. But there are figures of costs analyses that I think could be given to the Committee for their private use but certainly not in a public hearing.

So far as power is concerned, Colonel Drew, the figures range from slightly under \$4 per ton of newsprint—this is at sixty percent operation, approximately our present level—taking all companies in Canada, power costs would range, in one or two special cases they are as low as \$4 or a few cents under per ton, to about \$8, and I should say that a typical case, taking the industry as a whole, would be between five and six dollars per ton of newsprint at sixty percent operation.

I should like to add a note to that, that there is a difficulty in determining power costs, that is the average power costs, because you have some producers who own their own power plants, and to get their proper power costs you must take in their fixed charges, depreciation and interest on the investment involved in their power plants; and other manufacturers, the majority I should say, of course, buy their power from power companies, but you have those two classes. But as far as we can analyse it, and we think we have pretty complete figures, the range I have mentioned would represent the situation.

THE CHAIRMAN: Q. Have you any information as to the cost of power per horse power in Quebec?

A. No, I haven't Mr. Chairman; I haven't with me, and I haven't the figures well enough in my mind to venture them here.

I think I would like to add this on the matter of power: Power is the smallest of the five main items that go into the cost of supplying newsprint.

MR. DREW: Q. What are the five?

A. The five items in their order of size, I have a note of them here, the five main items that would go into the cost of supplying newsprint, that is not merely producing it but delivering it, in order of importance would be, first, depreciation and fixed charges; second, wood; third, freight; fourth, mill labour; and fifth, power.

I made some enquiry about this since I was here the other day and I will have to correct a statement that I made the other day and that I made in the report to Hon. Mr. Cote. In my previous statement I think I had said that the three chief items in the actual production of newsprint were wood, freight and power. I find that within some fairly recent period since the previous figures were made up mill labour is now slightly ahead of power, so these are the five items, first depreciation and fixed charges, wood, freight, mill labour and power. And of course there are other costs of taxes, general overhead, miscellaneous raw materials such as sulphur.

If I may, I think I would like to add one word on this subject: All of us it seems to me in this country, have fallen into the habit of misusing the word "profits"; I don't blame anybody for it, because I think we are all guilty and it has become a habit in the financial statements to use the word "profits" when it isn't profit at all; what it really is, is earnings that are available to apply against depreciation and fixed charges, which are just as real a cost as the cost of wood. I think there is a misuse of the word "profits", which gives rise to some misunderstanding and misinterpretation perhaps among our customers.

MR. DREW: Q. But that, of course, is common to all industry?

A. Yes. I mean that. I am not meaning it is peculiar to our industry. But very often a figure comes out in a statement which is labelled "profits"; it is before depreciation and fixed charges, and very often before taxes; it really represents what is left over the actual out-of-pocket production costs to apply against these things.

MR. COOPER: That wouldn't be a statement for income tax purposes.

MR. DREW: Q. Well, you are referring to the fact that in the statements the figure as shown is of gross profits?

A. Yes.

Q. Which is really sales over costs?

A. Correct.

Q. And then against that are charged the various fixed charges, that is what you have in mind?

A. Yes. I find very often among our own industry, and perhaps in a wider sense, we tend to forget item No. 1, which is the largest item and which is as true a cost item as any raw material, that is depreciation and fixed charges, and in the newsprint industry that is an item of extra importance, because in newsprint we have a turnover of our investment value only once in say three to four years as an average.

Q. But some of these charges have not been met in this industry for a while, have they?

A. Of item No. 1?

Q. Yes?

A. A very small part of them, sir.

Q. You haven't the total figures under those headings for the whole industry?

A. I have, but I shouldn't like to go into them, if you will excuse me; I think that would be competitive information.

Q. I don't want to force any information that would be embarrassing to the industry as a whole, but I don't just see on what point it would be?

A. Well, I think it would be giving information to our competitors as to our cost situation.

Q. You mean competitors outside of Canada?

A. Yes.

Q. I can see the argument, in view of the fact we are dealing in world markets, that it wouldn't be advisable to give those figures out, but I would be inclined to think those figures would be very useful for consideration of the problem?

A. Yes, I am sure they would, Colonel Drew, and if there is any way in which such figures could be discussed privately with this Committee—naturally our office would have to consult the manufacturers first, because we obtained those figures from companies on a confidential basis, but if they were to serve a constructive purpose of this Committee I think they might be available, but I certainly wouldn't like to, and I am sure you wouldn't like me to bring them out in a public hearing.

Q. I certainly don't want to bring anything out that is going to embarrass the organization of the industry; on the other hand, I do think that the actual realities of this industry must be faced, because I believe that a very constructive effort is being made now to bring these industries together, and I have no hesitation in saying I am convinced that the industry has staggered along for some years not facing realities; I don't say that just at the present time, but within the past?

A. Yes. Well, let me put that this way: We would like very much, indeed, to have the figures of even these five main items which I have mentioned without more detailed information, we would like very much to have those figures of, say, the Great Northern Paper Company and Box-boards and certain United States producers, they would be useful to us; we cannot get them, naturally, and I shouldn't like them to have ours.

Q. I can see the objection, and if the point comes up it is easy enough to obtain those figures for the purpose of further consideration of the subject later on?

A. Yes.

Q. Mr. Vining, we have had under discussion here at different times, and that was discussed while you were here, the subject of controlling in some way, the method of proration which is now being enforced under an informal agreement between the two provinces?

A. Yes, sir.

Q. Have you or your Committee, can you say, considered the operative desirability of a commission or board, organized on an inter-provincial basis or organized as a Dominion commission or board?

A. We have given a great deal of consideration to it, Colonel Drew, and, referring again to the report to Hon. Mr. Cote, I think when I was here last week I read general conclusions; I think, if you don't mind, I will repeat it and then if you wish me to enlarge on it some, I will do what I can.

Q. Yes.

A. Our conclusion in that respect was stated as follows:

"The present methods of applying and enforcing the policy need a thorough revision after two years of trial. The present arrangement of separate groups of Ministers and an anomalous committee, needs to be replaced by provision for joint, uniform administration, including provision for impartial and automatic application of penalties under certain sets of facts."

Now what we had in mind there was definitely an inter-provincial joint board of some description. When I say "inter-provincial", I mean inter-provincial between the Provinces of Ontario and Quebec. We had not considered—did you say a Federal body?

Q. Yes?

A. No, we hadn't seriously considered that. Such consideration as we had given to it, led us to the conclusion that a board between Ontario and Quebec would be more feasible for one thing, and would be adequate certainly to meet what we would believe to be a pressing situation.

Q. Why do you believe it would be more feasible?

A. Well, you already have machinery set up, you already have an agreement between these two governments, so that it is simply a matter of providing some additional features to a thing that is already in existence.

Q. I have in mind in asking that question, the possibility that you might have considered certain legal aspects of it. After all, this is a question that involves export, and it seems to involve a number of matters which are ordinarily under the control of the Dominion Government. If you have not considered that angle, there is no use my pressing the question?

A. It is true that export is a matter of Federal jurisdiction, if that becomes necessary. To be quite frank about it, such thought as we had given to Federal action included this idea, that there might be some very natural reluctance on the part of the provincial administrations, to have Federal intervention in a matter which is primarily natural resources under the control of the province, unless it becomes a matter of strict control of exports which, judging on the experience of the last two years, is not necessary.

Q. I suppose there is this angle to it, Mr. Vining; if it were possible to get an agreement among all the companies, and that were permitted by the various Governments concerned, this really could be administered fairly effectively under such an agreement, as long as all the companies were in agreement, couldn't it?

A. It would require legal authority, such an agreement. It would require to be legalized, that is what I mean.

Q. In the way that the prorating agreements have been in the oil states in the United States?

A. Quite, yes. If your question is, could it be administered by the industry itself, provided it were likewise and provided authority were established, yes.

MR. DREW: I don't think I have any other questions.

MR. SPENCE: Q. Mr. Vining, there is one statement that has been made here many times, and that is that proration of the export of pulpwood will naturally increase the production and selling expense, we have had many give that opinion, and you qualify yours as you are giving it from the newsprint industry standpoint. It strikes me that during the past ten years, during which time we have had prohibition of export and also we have permitted export as at present ——?

A. Yes.

Q. —— the record of the industry contradicts that opinion, it seems to me. What is there on the other side that I am not grasping? That is, there is more newsprint being sold now and business is in a better position, and yet we have export here in the Province of Ontario. During the period that export was prohibited, we had the dulllest period we have ever had in the history of the business in Ontario. Now can you make those two statements coincide?

A. Well, I should say, Mr. Spence, if I grasp your point properly, that the two things are not related over a period. You compare one year's production of newsprint with another year's and the difference is entirely due to business conditions. It is not due to whether or not pulpwood is being exported, but due to the trend of general business and of the demand for newsprint.

I think what you are really getting at is this, that the point has been suggested to you, that in any one year there might have been a greater production of newsprint in Canada if there had not been exported, but not in comparing one year with another.

Q. Then, over a period of say the last five or six years?

A. I would say that over a period if pulpwood had not been exported there would have been a greater production of newsprint in this country. I think the history of the industry has demonstrated that.

Q. If the point is put up to you, you would agree upon the principle of limited export?

MR. W. G. NIXON: Q. Do you think if the raw wood was all manufactured here, that you could export it all without difficulty?

A. I would not say that. But in case of newsprint not being produced in other places, that result would obtain in Canada. For example, if we had, as we did have a good many years ago, free export of pulpwood from Crown lands in Ontario and Quebec, if you like, that would certainly result in their having a greater production of newsprint in the United States rather than here. That is to say, mills which in the United States have been compelled to go off production because of lack of raw material, again would be busy; and our mills would have to go off because of the lack of demand for our product.

Q. If they could get sale for all the manufactured material, that would be very nice, but the export of pulpwood as raw material gives many chaps here an opportunity to live?

A. I would not like to say from a newsprint manufacturer's point of view.

Q. You cannot suggest a means of utilizing the wood at home, supposing we would stop the export?

A. I suppose this is true, but again, as I said at the start, I am not taking into account all the social aspects. But if we compare the possibilities in 1940 with those of 1938, the wood exported in 1938 for relief, I suppose, would be utilized in Ontario and Quebec.

Q. Employment is a factor?

A. Yes.

MR. COOPER: Q. Mr. Vining, you gave the names of some mills which, I assume, were in Wisconsin?

A. Yes. I thought I had a note of those mills here, and I have since looked it up.

Q. Is that Escanaba Mill in Wisconsin?

A. Yes, it is in Wisconsin.

Q. And the Wisconsin River Mill is there?

A. Yes.

A. And the Manistique?

A. Yes.

Q. Are those the only three newsprint mills which are really competing with Ontario newsprint mills?

A. In Wisconsin.

Q. For instance, take this big mill down in Maine, it is such a big distance away that it would not be a competing factor with Canadian mills, would it?

A. Oh, it is very decidedly a competitor. It is our largest competitor,—in the use of pulpwood, you mean?

Q. In the use of pulpwood, they would not take that pulpwood from here?

A. I am glad you mentioned that, Mr. Cooper, because it is part of the question. Although it does not involve Ontario pulpwood, actually the Great Northern Paper Company, which is in Maine, is our chief competitor.

There is also the Bucksport Company in Maine; and there is also the St. Croix Mill.

THE CHAIRMAN: That is just at the boundary line?

A. Yes.

I cannot speak positively about Bucksport, but certainly the St. Croix takes a great part of their supplies by export.

MR. COOPER: Q. Those would not be drawn from Ontario,—it would come from Quebec?

A. Yes, largely.

Q. So that the exports from Ontario and Quebec would not alter the position?

A. From Ontario, that is true. I mention these mid-western mills because I assumed the Ontario pulpwood exported went chiefly into that area.

Q. To follow that up, I understand that the Escanaba Mill is shut down owing to the high cost of operating?

A. Yes, I mentioned that the Escanaba had not been operating for a year.

Q. That is not really a serious competitor?

A. No.

Q. Then the Wisconsin River Mill, is it true that it is not really an out-and-out newsprint producer, but it produces a paper product which might be described as halfway between newsprint and,—is it not glazed?

A. No, you will find, Mr. Cooper, that, with all other mid-western mills, speaking generally, they are not exclusively newsprint. They make various products, but they do make standard newsprint.

Q. But have they increased their newsprint manufacturing because of export?

A. I would not say that they had increased it. If I were to say anything it would be that they had continued it, but I would not say that either, because I have not traced it.

Q. The Manistique has a very small output of newsprint, has it not?

A. I could not give you individual mill figures, because we exchange these figures privately. I can give you totals.

Q. I would like you to give me the totals of the three mills which are in competition with us in newsprint?

A. The Wisconsin newsprint production by Wisconsin River and Manistique combined, was between forty-five thousand and fifty thousand tons. And in Minnesota, the two mills, it was between thirty-five thousand and forty thousand tons.

Q. That is approximately between eighty thousand tons and ninety thousand tons?

A. Yes.

Q. Have your association enquired into the increased production of any of those mills?

A. No, we have not enquired about it.

MR. DREW: Q. I suppose their production would be governed by their ability to sell their product?

A. Yes, their ability to sell is governed by their ability to produce and their costs; and that is governed by the wood they can get.

HON. MR. HEENAN: That Manistique Mill was owned by an estate?

A. Yes, I believe by the late Mr. Murphy. I want to make something clear: I did not intend by anything I have said here, to imply that Ontario pulpwood was making possible the products of these mills.

MR. COOPER: Q. But we have had the advantage of export by groups of people from Ontario; and on the other hand, we want to see its effect upon industry, to see where the balance comes?

A. I do not pretend to have made any investigation of the mid-west producers; but, on the whole, I contend that the export of raw material from Canada tends to affect the export of our production from our mills to the United States.

HON. MR. HEENAN: Q. What do you mean by that?

A. I mean the production which would otherwise be made in Canada.

Q. We have had evidence here that no matter how cheaply you produce here, it could not affect the manufacturer in other countries. If we manufactured, instead of exporting the raw material, it might bring manufacturers here to make the finished products, and in the next breath they would say, There is no use in bringing other manufacturers here, or otherwise we will all go broke.

HON. MR. NIXON: Q. In other words, they would say we ought to let the wood drop?

A. I think it would be very presumptuous for me to try to express too many views on this. It is a matter of policy.

MR. ELLIOTT: Q. In 1931, the pulpwood exported from Ontario, would that have any effect upon the production of newsprint in the United States?

A. That is a rather short period, and I could not answer that.

Q. My understanding is that they did get the raw material and that it did not have any effect,—that is according to the evidence of one of the witnesses here.

MR. COOPER: There is a type of paper called the Rota, I understand?

A. Rota-gravura, yes.

Q. That is the paper which I was referring to a moment ago as being made in the Wisconsin mill?

A. Yes.

Q. In no event would that be in competition with Canadian manufacture,—we could not get the American market, anyway?

A. I think you are right. Again, I think that is a question which you might save up for Mr. Robinson. I just want to point out again, that most of these old United States mills are dual-product mills, and make more than one product, and can switch readily from one to the other.

MR. DREW: Q. There is the old question of which comes first, the egg or the hen?

A. Yes.

Q. There is just one point I want to clear up. In explaining this morning that Mr. Cote was agreeable to the release of that report which you had prepared for him, was that for the private information of the Committee, or was it to go on record in this enquiry?

A. I asked him if there was any objection to it being submitted to the Committee as a record in the evidence, and he said, No.

Q. In that case, I think it should go in as an exhibit, in which case it would be understood that if the press wanted it, they would have access to it?

A. I think there is no objection.

THE CHAIRMAN: Then Exhibit No. 42 will be a copy of the report made by Mr. Vining to the Honourable Mr. Cote, Minister of Lands and Forests for the Province of Quebec.

Many thanks for coming back.

MR. VINING: Thank you.

EXHIBIT No. 42—Copy of Report made by Mr. Vining for the Hon. Mr. Cote, Minister of Lands and Forests for the Province of Quebec.

F. G. ROBINSON: Called.

THE CHAIRMAN: Mr. Robinson, you are President of the Canadian Pulp and Paper Association?

A. Yes.

THE CHAIRMAN: You have been asked to come here, and I thank you for coming up to Toronto.

MR. ROBINSON: It is a pleasure to come.

THE CHAIRMAN: I will ask Mr. Drew to proceed with the examination of the witness.

MR. DREW: Q. Mr. Robinson, you are the President, I understand, of the Canadian Pulp and Paper Association?

A. For this year.

Q. That is, you are at present, President of the Canadian Pulp and Paper Association?

A. That is right.

Q. Just as a matter of record, would you tell us what your position and occupation are?

A. I am President of the Riordon Sales Corporation.

Q. That has its head office in Montreal?

A. Yes. We are engaged in the sale of pulp.

MR. W. G. NIXON: Not newsprint?

A. No, I have no active connection with newsprint.

MR. DREW: Q. Again, as a matter of record, would you again explain the history and organization of the Canadian Pulp and Paper Association?

A. I have summarized that, and if you do not mind I will read from these notes.

Q. Yes?

A. The Canadian Pulp and Paper Association was formed in 1913 as a purely voluntary association. According to its by-laws, the objects of the

Association are: The consideration of matters of general interest to the pulp and paper industry; the promotion of its welfare and social intercourse amongst the members of the association. It does not consider or engage in regulation of price of products, the restriction of territory or of output.

In detail, the pursuance of these objects results in: Consideration and establishment of recognized trade customs in various branches of the trade; the collection and dissemination of trade statistics; the encouragement of the use of domestic products in Canada, as opposed to imported goods; questions relating to tariffs, and collaboration with the Government in respect thereto; collaborating with the Dominion and Provincial governments as to Legislation which is proposed, on which they want information as to its possible effect upon the industry;—in which, I may say that we have had a great deal of useful co-operation from both the Dominion and Provincial governments; the development and distribution of technical information in pursuance of research for the benefit of the industry; the examination of woods operations and forest management for the betterment of the industry and the workers; the improvement in quality of the industries' products to enhance Canada's ability to compete in world markets; collaboration with the transportation companies as to transportation problems related to the industry; the association, at a cost of some \$350,000, erected in 1927-1928, a building to house the Pulp and Paper Research Institute. This comprises an up-to-date Cellulose Research Laboratory, an experimental pulp and paper mill with grinders, digesters, paper machines and other apparatus related thereto.

The work of research is carried on in this building jointly, under a joint agreement between the Association representing the industry, the Pulp and Paper Division of the Forest Products Laboratories of the Department of the Federal Government, and with McGill University.

The management of the Association is vested in a council, which comprises a representative executive of each company member,—one might consider that they are shareholders, just for an example.

MR. ELLIOTT: Q. Does the Federal Government give you any financial assistance?

A. Yes. Could I come back to that after I have just completed this short summary of the activities of the Association? Would that be agreeable to you, sir?

MR. ELLIOTT: Yes.

A. (Resumed.) The Council elects an executive committee, which might be considered relative to the Board of Directors of a commercial company, and has substantially the same sort of powers to manage the affairs of the Association for the Council, who are in effect the shareholders,—put it that way.

There are a number of sections within the Association that function in their own field, for matters relating to particular branches of the industry, such as the board section, the fine paper section, the chemical pulp section, the woodland section,—there are nine of such sections.

Meetings of the sections are held at intervals during the year. During last year, somewhat over one hundred and twenty such meetings were held.

I think that summarizes it, Colonel Drew. I am sorry to have been so long.

MR. DREW: It was not very long.

Q. Now, Mr. Robinson, just to deal with one of the later subjects you mentioned, first. That Research Institute on which you spent \$350,000, where is that located?

A. In Montreal, to take advantage of the facilities of McGill University, their Chemistry Department. Also it fitted in with the plans and convenience of the Federal Government, who transferred their Forest Products Laboratory from Ottawa to Montreal as a more convenient centre for the industry.

Q. Well, is this feature connected in any way with the National Research Council?

A. Only in a co-operative way.

Q. Does the National Research Council conduct any research in connection with this problem?

A. In general, I think the Federal Government have arranged it in that way, that pulp and paper problems that come up under the aegis of the Department of the National Research Council are delegated to the Forest Products Division to be examined and dealt with in the Research Institute at Montreal. The relations with the National Research Council are very cordial and co-operative.

Q. We were informed yesterday that some steps had been taken to reorganize the Research Institute. That is the case, is it?

A. That is true. The representatives of the Government, of McGill University, and of the Association have been meeting in Committee for some time, and they have arrived at an agreement which is acceptable to all parties, subject to the formal approval of the Government by Order-in-Council; and it represents a substantially increased contribution from the industry to the support of that work,—financial support.

Q. I find that in a speech of Mr. R. A. McInnis, who was your predecessor as president of this Association, he made a statement which seems to me to be rather encouraging at the present time, and leads to a suggestion that perhaps you might answer. This was at the last Annual Convention.

A. Yes, I remember the address.

Q. "It is my firm conviction that this industry stands on the threshold of the greatest opportunity that it has yet had, and if we will but face that opportunity intelligently and if we will co-ordinate and organize our activities and

energies intelligently, we can look forward to a tremendous increase in the production and sale of our various products."

Do you agree with that particular statement?

A. In a broad way, yes.

Q. Now, he speaks of co-ordination of activities. Have you any suggestion as to ways and means in which the activities of those interested in the Pulp and Paper Industry can be better co-ordinated?

A. I think, Colonel Drew, that Mr. McInnis had in mind the co-ordination with the Association.

Within the past year the Association has reorganized itself on the basis that I have described.

When the first came into being, the Association was operated by an executive council which consisted of the President, ex officio, the Chairmen of all the sections within the Association, and appointees of the President. That proved, as the industry expanded and more branches became active it having been established primarily on the basis of newsprint and pulp production only, and now the other branches of the industry, of paper boards, and so on, have become substantial contributors to Canada's export business, that organization proved cumbersome and unworkable, because all these heads of sections were distributed throughout the whole country, and it was very difficult to get the executive together and get action to carry on the business of the Association.

And when one did have a council meeting, it was rare that the same individuals who attended one meeting would attend a succeeding meeting; so that continuity was lost.

So, as I say, the Association reorganized itself last year, and we have now an Executive Committee which is like a Board of Directors in a commercial company, and consists of the President, ex officio, the two last living presidents, ex officio, to maintain continuity of policy, and six members elected by the Council from the industry, who represent a cross section of the various branches of the industry; and this Executive Committee can add to its numbers by its majority vote.

That, I think, was what he primarily had in mind. That organization having been recently accomplished, Mr. McInnis wished to press home to the Association, in his annual address as President, that the reorganized Association was in much better shape to serve the industry; and if we pull together and work together we could contribute greatly to the benefit of the industry.

Q. Is that Association fully representative of the industry?

A. There are some sixty members, and it represents officially over ninety percent of the companies producing, of the productive capacity in all branches of pulp and paper in Canada.

Those who are not actually members co-operate with the Association; and, in addition, we have Associate Members, who are manufacturers of paper products made from pulp and paper. So that I would say the Association is very definitely representative of the whole of the industry.

Q. Now, one of the points that Mr. McInnis raised, and the only reason I bring it up is because he was reviewing certain developments of the industry?

A. Yes.

Q. One of the points stressed was the possibility of increasing production in this country of products other than newsprint?

A. Yes.

Q. I do not mean by that that there was any suggestion that the production of newsprint should be limited, but he placed great emphasis on the market for their products other than newsprint in this country; and he spoke of the fact that there has been recently a tremendous increase in the United States in the consumption of other products than newsprint, which base their production on wood as the raw material?

A. Yes.

Q. He pointed out that already Canada sold and produced,—this would be in 1938, 1,400,000 tons of pulp and paper products, other than newsprint tonnage?

A. That is right.

Q. And he estimated that there was a further potential market, without any new developments, of possibly another million or million and a half tons in that field?

A. That is his estimate. I have not checked it.

Q. But you have no reason to disagree with it?

A. I think the trend is as he has described it.

Q. Well, could you tell us how far the research institute has gone in discovery of new opportunities for wood products?

A. That is a very difficult question to answer precisely. I go back to a conversation I had with Sir Arthur Currie one day some months after he had taken the Principalship of McGill University. He said, "Robinson, the trouble I find is that Professors do not profess, and Researchers do not research."

What he meant by that was that he could not see those tangible results which the ordinary business man wants to see.

And, in research work, to put your finger upon precise dollar and cent

advantages which have accrued from research is difficult. I will say this, in general, though, the Research Institute in its work has contributed a number of outstanding helpful things to the industry; and I might instance just two. They made a very exhaustive study of methods of producing ground wood, which is the basis of newsprint. As a result, the production per grinder was substantially increased, the quality of the ground wood, even at this higher rate of production, was so much better than it was before that it was possible to reduce the percentage of the higher cost product entering into newsprint, unbleached sulphite. That was a very definite contribution.

Then, if we go to quite another field, they developed a new product, in co-operation with one of the members of the Association. It was a by-product. It is known as Vanalin, which is a by-product of pulp and paper operation which forms the basis for perfumes. That is quite a large area; and in between they are constantly dealing either with specific problems of individual operators, referred to them for solution; and in that respect they have helped many people out of difficulties that they could not solve themselves,—I am talking of the smaller mills, particularly,—because they could not afford, with their smaller mills, and smaller business, to support a research organization of their own.

And, in addition, there goes on always a programme of fundamental research, which is worked out by the officers of the Research Institute in consultation with the Council of the Technical section of the industry and the Woodland section,—there are problems in Woodlands which are marginal with those of the Technical, which is the productive side of the industry, the Industrial side of the industry, apart from the production of the wood, which is the woodsman's duty.

And that programme is very carefully planned, and it was very carefully and thoroughly gone into in co-operation with the Technical section. So that the Institute is working on the problems that the technical people in the industry, the practical technical people in the industry, think is most important. So that first things are put first; and the programme meets with the approval of the Technical section of the industry as being planned on a basis which will lead to practical, useful results.

Does that cover it for you, Colonel Drew?

Q. Yes. I find, for instance, in the explanation of the discovery of the new base for perfumes something of the kind that I had in mind. What prompted my question is this: in their work during the last few years many new methods have been discovered for utilizing wood products, and they are, in fact, methods which can be clearly seen. There is, for instance, the production of sugar from wood; in Germany, clothing from wood; and, of course, we ourselves have the tremendous rayon output. There has been a large variety of new types of products worked out by research. I recognize that, so far as we are concerned, among these some might not be desirable from the economic point of view, because many of them are substitutes?

A. Where the national economy is quite different from ours.

Q. Many of them are different in their economy, and where normal views

might not obtain. But, without guessing at that, it does seem to me that national research might obtain for the finding of new uses for wood products in a country which has the greatest supply of raw material in the whole world, unless Russia?

A. Colonel Drew, you and the industry have a meeting of minds on that point; the background which you have described is exactly the ground which led the Association to reorganize the Research Institute and to contribute more money for research; because we believe just those things which you have stated, and we are taking steps to pursue them.

Q. Just to close that particular point, I assume that any of these developments of the Research Institute are available to all members of the industry?

A. Yes, except specific problems, dealt with for specific members. They are carried on confidentially and the individual company for whom that research is made, pays for the specific jobs; that specific work.

Q. That, then, is carried on in the same way they take special research under the National Research Council?

A. Yes, quite so. The same principle; the individual company.

Q. We have had a great deal of evidence in reference to the subject of proration of newsprint. That, of course, is a problem which affects only a part of your Association, but would you care to express any opinion on the subject of proration?

A. On that subject, I would say, sir, that the Association has taken no part in that matter. It has been handled entirely by the Newsprint Section, because it was a specialized matter, and the Association has taken no part in it whatsoever.

Not being actively associated with the Newsprint industry, I would prefer not to express an opinion, because I do not think my opinion would add to the sum of knowledge.

Q. Have you any figures in regard to the export of pulpwood from the Province of Quebec?

A. Yes, I have those figures:

EXPORTS OF PULPWOOD

	1937		1938	
	Cords	Value	Cords	Value
Quebec.....	456,335	2,995,067	312,461	2,193,435
Ontario.....	616,965	4,628,403	716,269	5,593,202
B.C.....	21,603	83,288	14,592	53,820
Others.....	610,128	4,381,571	707,937	5,801,341
Total.....	1,705,031	12,088,329	1,752,259	13,641,798

MR. COOPER: Q. Is that the value of the pulp sold?

A. Exports of pulpwood.

Q. Is that the value of the selling price in the United States?

A. It is the selling price.

Q. It seems ridiculously low. Can you figure out how much a cord it will mean?

A. For 1938 it works out at \$7.79.

Q. Delivered in the United States?

A. No, I imagine that would be the selling price f.o.b. cars here.

MR. DREW: Q. In other words, that is the amount received by Canadians for that pulpwood?

A. That is right.

MR. ELLIOTT: Q. Have you any figures to indicate what portion of the pulpwood was exported from Crown lands, and what was cut from settlers' lands?

A. No, sir. I am sorry, I have not that information, and I do not know that it is actually available.

MR. COOPER: That includes Indian lands, Settlers' lands and Railway lands?

A. It includes every export from whatever source.

HON. MR. NIXON: To whatever destination? That includes New Brunswick exports to Germany?

A. Yes.

MR. W. G. NIXON: Q. Have you anything to show the average price paid for wood consumed in the mills during those periods?

A. No, I am afraid I have not.

MR. ELLIOTT: Q. Do you know how it would compare with the export price?

A. No, and I think for the same reasons Mr. Vining stated, it would not be proper to state that figure, even if I knew it. But I am sorry, I have not it.

HON. MR. HEENAN: Q. You specified certain provinces, Mr. Robinson, and you said "others", that would include Saskatchewan, Manitoba?

A. Yes.

Q. And Alberta?

A. Yes.

MR. COOPER: Q. You see, those figures are not very helpful to us unless we can get a breakdown, and find out exactly what is going on in regard to Crown lands. We have no control over Settlers' lands and other free-hold lands.

A. I doubt whether those figures are available.

MR. DREW: What is the source of your total figures?

A. The Dominion Bureau of Statistics.

Q. There is one matter which interests me: Your figure of 716,000 cords for 1938 in regard to Ontario is about 100,000 cords over the figures of export given here, so they must come partly from Indian lands and partly from other lands not under control of the Provincial Government.

A. I imagine these are compiled from the Customs Manifests covering the exports. As I said before, it would include all exports of wood irrespective of the source; no matter from where it comes—whether Indian lands, Crown lands or free-hold lands—and I think it would be an extremely difficult matter to break them down.

MR. COOPER: Q. Would that include poplar and other lower species of pulp?

A. Yes; it includes all kinds of wood exported as pulpwood.

Q. I understand.

HON. MR. HEENAN: Ontario is handicapped in its figures too and we are trying to analyse for ourselves as matters come up having regard to the vast amount of export from Quebec which comes right up the St. Lawrence and is cleared at the other side and all charged to Ontario.

THE WITNESS: I was not aware of that technicality.

Q. We have been trying to get the Dominion Bureau of Statistics to break it down; they are having difficulty and so are we?

A. Yes.

MR. DREW: Q. It would be extremely useful to have the total figures of cords cut in Canada as compared to those exported because it would give us some idea of the true relative importance of the utilization of our forest resources as compared with other methods?

A. Well, I can give you the consumption figures in Canada.

Q. That would help.

A. This information is from the same source.

Q. That is, from the Dominion Bureau of Statistics?

A. Yes. For 1937 the total consumption is 6,614,000 cords.

MR. COOPER: Q. What is that figure again?

A. 6,614,000 cords. For 1938, which was a very bad year generally for business, 4,588,000.

MR. DREW: Q. You have not the figure for 1939?

A. No; those figures are not yet available

Q. 1939 would be higher than 1938?

A. Yes, I would say so; between 1937 and 1938.

MR. COOPER: Q. What about imports of pulpwood into Canada?

A. I do not think there are any.

Q. Oh yes, there are lots from Newfoundland which come into Canada. Have you no figures as to the imports of pulpwood into Canada?

A. No. I have never heard of any.

Q. You show your figure as the amount of pulp which has been shipped out of Ontario?

A. Pulpwood, if I may correct you.

Q. Does that include trans-shipment from Quebec to Ontario?

A. That I cannot say because I do not know whether or not that is taken care of. That is covered by Mr. Heenan's remark, I think.

MR. W. G. NIXON: Q. The Dominion Bureau of Statistics does not show the value of the wood consumed at home, then; it just gives the quantity?

A. Yes, it gives the value also, if you would like to have it. 1937, \$51,082,000; 1938, \$40,327,000.

HON. MR. NIXON: Q. You have no knowledge of the imports into the United States of pulpwood other than from Canada?

A. I have not those figures with me.

Q. Do they not import a very considerable amount of wood?

A. The only place I think they might possibly have an important amount from would be Newfoundland and I doubt it very much.

Q. Was not Scandinavian pulpwood coming in?

A. No, never.

MR. COOPER: Q. There is something radically wrong with those figures if they would show the correct situation. They show the price per pulp cord of home consumption greater than the value of export, which cannot be?

A. I would not think so, because the free-holder sells his wood not based on cost. It is just what he can get.

MR. DREW: It is just what he can get.

THE WITNESS: What he gets for it in the open market, whereas the consumption is based on the cost of producing it.

MR. COOPER: Q. There is very little if any pulp used in Canada, yet there is quite a quantity shipped to the United States and yet it is much cheaper than any other species of wood. That may account for the difference?

A. Poplar?

Q. Yes?

A. Really, I am not an expert on woods operations, but my general impression is that the quantity of pulpwood exported would not be a very large proportion of the total.

Q. Frankly I cannot understand that. It is generally known the price you get for this wood in the United States is much higher than it is in Canada or it would not be exported, so the value per cord should be higher than home consumption?

A. I think my previous comment in that respect covers it.

Q. It did not convince me. I did not understand it.

MR. DREW: Well, there is one explanation.

MR. COOPER: What is it?

MR. DREW: That a lot of this is being cut on choice areas—on so-called Settlers' areas and areas of that kind—and being bought at prices which can be commanded locally, whereas the wood being consumed is a more expensive wood.

THE WITNESS: Quite right, Colonel; you have to go further to get it, whereas, the free-holder who exports wood, does not take cost into consideration. Really, he does not; he sells for what he can get on the open market.

MR. COOPER: Q. I understand the average per cord in the export of wood

from the head of the lakes is around nine dollars and something, and your average figure is something over seven dollars?

A. \$7.79.

Q. \$7.79. You are not suggesting that the pulp and paper companies pay anything like that to the settlers who sell wood locally?

A. I am making no suggestions; I am simply stating the figures.

MR. ELLIOTT: Q. There must be a great variation in the price paid, because in your statement of 21,000 cords from British Columbia the value is \$80,000?

A. \$83,000; roughly \$4.00 a cord.

HON. MR. HEENAN: Q. You have a given consumption of wood in Canada. Is there any figure which would indicate the consumption of wood in the United States?

A. I have not those figures, I am sorry.

Q. I read some place where it amounted to about 23,000,000 cords per year?

A. I have no idea about those figures, Mr. Heenan. The figures I have are too old to be of any value.

Q. They are too old?

A. Yes. The last figure is for 1936.

Q. What is that figure?

A. According to the United States Department of Commerce Bureau of Census in the year 1936, which is the last figure we have, the total consumption of pulpwood in the United States was 8,715,916 cords.

MR. DREW: Q. That is the total consumption of pulpwood in the United States?

A. 8,715,916 cords.

Q. You have not the figures in regard to Canada for the same year?

A. And they imported at that time for the same year, 1,209,760 cords.

Q. What is that figure again?

A. 1,209,760 cords.

HON. MR. HEENAN: There is something wrong there. I read somewhere the other day that they consumed about 23,000,000 cords a year.

THE WITNESS: Well, that is the only figure I have, as reported by the United States Department of Commerce.

MR. DREW: Q. That, of course, does not include the pulp imported?

A. No, sir; only wood.

Q. Have you any corresponding figures in regard to pulp?

A. No, sir, I have not.

HON. MR. NIXON: Q. Our total exports in 1938 were 1,800,000 cords, and theirs in 1936 were 1,200,000 cords?

A. That is right.

Q. So, evidently they do not get much wood apart from Canadian exportations?

A. That is right.

HON. MR. HEENAN: They exported for a while, some wood from Russia?

A. I believe there was some wood imported from Russia some years ago, but that has long since stopped.

Q. Yes. I know there was a considerable amount. You do not know, of course, why it stopped?

A. I really do not.

MR. COOPER: And, of course, you cannot compare it. Take the consumption of wood in the United States in 1937, for instance, that wood would likely be cut here in 1936—the year before—would it not?

A. I gave you the figures for 1936 as to their consumption. Yes, you are correct. It might be. There is always overlapping from one year to another. It is very difficult to synchronize those figures.

HON. MR. HEENAN: Q. In regard to your export figures from Quebec. That would be measured by the figures of the Customs Department?

A. I would imagine so. I do not know where the Dominion Bureau of Statistics gets its figures, but that would be the normal way, I would think.

Q. For instance, if 250,000 or 300,000 cords of pulpwood exported from Quebec came into Ontario, it would not show as Quebec exports?

A. No.

Q. We have had considerable of that. The Abitibi imported quite a lot from Quebec. The Ontario Paper Company, up to within the last year or two,

brought in over 100,000 cords a year from Quebec. The Smith Mills and many other of the mills down east, bring in pulpwood from Quebec, but that would not show in the export figures of Quebec?

A. No, sir; these are export figures out of the country, and do not deal with interprovincial movements.

MR. W. G. NIXON: Q. The cost to the mills would be the cost at the mill, which would be the purchase price plus their cost?

A. I would assume so.

Q. Would you suggest the same might be true in respect of export, or would it probably be based on the price received by the seller at point of shipment?

A. I would think that is correct.

Q. In other words, freight would have to be added, possibly, to the final export cost, say, at seaboard, in order to get a comparison with the figures on home consumption.

A. I would say you are correct in assuming the value of exports of pulpwood is based on the f.o.b. cars value.

MR. DREW: Q. I would be inclined to doubt that they use a different method of computation in two related figures of that kind because they do not use the word "cost"; they use the word "value". In other words it would seem to me a surprising matter if the Dominion Bureau of Statistics use the word "value" in one case as f.o.b. cars or boats, as the case may be and in the other case have the same word applying to "cost" at the point of purchase?

A. Well, only the Dominion Bureau of Statistics knows. That is a very interesting point.

Q. The reason I raise that point is that I happen to know they have done their utmost to assure uniformity in the interpretation of words they use in giving various figures. For that reason I would be very surprised if in two estimates which are so closely related they use the word "value" in one case as being the amount received f.o.b. at the point of delivers?

A. They do not specify that; we are surmising that.

MR. COOPER: Q. Is this not the reason, that in Canada they deliver their wood right to the mill?

A. Most of it by water; floated.

HON. MR. HEENAN: Q. Colonel Drew read a few minutes ago from a speech by Mr. McInnis in which he outlined the progress of the business and suggested by closer study or co-operation he anticipated an increase in the business. Based upon that there has been evidence given here that we in Canada have a great many difficulties to overcome before we can hope to compete with the

Southern pine or Scandinavian countries in price. Does your organization take any part in collaborating in any way with the object of finding ways and means of reducing the costs in order to enable us to compete in our lines?

A. Yes. That is one of the main purposes of the research organization and it is a constant charge upon the technical and woodlands sections of the Association to reduce the cost of producing wood. For the Woodlands Section, to reduce the cost of producing wood; for the Technical Section to reduce the cost of converting that wood into various products and coupled with that to make better products. If you sum it up, to make better products at lower costs and to develop constantly new products which Canada has not been manufacturing previously, for which there may be an opening in export markets.

Q. Mr. Vining filed the main items which entered into the cost. First was the depreciation and fixed charges. I suppose the depreciation is pretty hard to change and the fixed charges might mean anything to each company. Then, there was the wood, freight and do I understand you to say that you have negotiated or attempted to negotiate with the railway companies from time to time in order to lower the freight rate?

A. I would like to say, if I may, that I was speaking not only of newsprint. Mr. Vining spoke only of newsprint, but I was taking the broader view of the industry; newsprint, pulp and other papers and paper products.

To answer your question directly: We collaborate with the railways on problems of transportation involving freight rates. For example, in the United States and I will take one phase of the industry, namely, pulp—all selling prices are by trade custom based ex-dock at Atlantic Seaboard Port. The customer or buyer therefore pays the inland haul from that basic price. In addition to that basic price Atlantic Seaboard Port, he pays the inland haul. Those inland rates from dock to various destinations may in certain areas be reduced from time to time by the United States Railways. We then consult with the railways in Canada in order to see if they cannot put us in a competitive position—the same relative position in which we were prior to the reduction in those rates.

That is a specific instance and there are many other things such as the minimum loading permitted in a car in order to secure the benefit of carload rates and all sorts of questions are arising all the time. I must say we have found in general that the railways co-operate with us very well and consult us on these things in most cases before they take action.

Q. A great deal of stress has been put on by some of the witnesses or gentlemen who have been giving information as to the cost of labour in comparison with other countries. I was wondering if there was any effort made to take labour in this country into their confidence in a general way and reason with the labour representatives in this way: A man might be getting, in round figures, wages of \$100 a month. If he is only working fifty percent of the time he is only making \$50 a month on the average, so it matters little to that man how much he is getting per day or per hour, because at the end of the month he only earns \$50. Are there any efforts made to sit down and talk over with those men the fact that if we can produce and sell more, operating full time

at a less rate, the men would be making more at the end of the month or at the end of the year?

A. I would say that the Association does not deal with those matters for the industry, but I have no doubt that individual elements within the industry have talked the matter over in that sense with their employees. Generally speaking, the relations between the labourer and the industry as a whole, are very good.

Q. There is no doubt about the relations being very good, but this is now an economic question which manifestly becomes more and more important the longer we hold the sittings of this Committee. In this province we have started a campaign which I hope will result in good for not only the Province of Ontario, but manifestly for the whole Dominion, namely, that if we are going to be able to compete with Southern pine, with Southern labour, with Scandinavian countries' cheaper labour, and with government assistance in one way or another, we will have to stand still and stagnate or make a move in some way if we are to meet that situation. We have through this inquiry endorsed by the Legislature to make an honest effort to get all the parties together—the Transportation companies, the Power companies, the Government and Labour—and as I see it everyone has to make an adjustment, which some people call a sacrifice, so that we will be able to meet this foreign competition. That is why I asked you that question, because I know of no real effort being made to discuss the matter with labour in a collective way, in order to show that by selling more we have to produce more and at the end of the year we will have more wages than at the present time. As I say, that is the reason I ask that question, but I do not know whether or not your organization went into it.

A. No; the Association does not deal with labour questions.

MR. ELLIOTT: Gentlemen, it is now 12.40 p.m. Apparently we cannot finish with Mr. Robinson before lunch.

MR. DREW: Q. At what time do you want to leave, Mr. Robinson?

A. If it is convenient to the Committee, it would be of great convenience to me if I could leave on the afternoon train.

Q. At what hour?

A. Five p.m. Daylight Saving Time.

MR. ELLIOTT: We will finish with you in lots of time.

THE WITNESS: Thank you very much.

MR. ELLIOTT: We will now adjourn until 2.30 p.m.

— Whereupon, the further proceedings of this Committee were adjourned until 2.30 p.m.

AFTERNOON SESSION

Toronto, Thursday, May 2nd, 1940.

MR. COOPER: Mr. Robinson, this morning you gave some figures as to the value of wood. I understand you have an explanation to make regarding those figures.

A. During the luncheon interval I have been able to get, Mr. Cooper, the report of the Dominion Bureau of Statistics for 1937. In relation to those figures, it says that the table below gives details of wood purchased from settlers and others, in addition to the average value at the mill in each case.

So that the values of pulpwood consumed are at the mill, and one should take into consideration that the major part of the wood used at the mill is from companies' own limits.

MR. DREW: What is that report from?

A. That is from the Dominion Bureau of Statistics Concensus of the Pulp and Paper Industry, 1937.

Q. Is that the last one?

A. No, this is not the last. It is the last complete one, Mr. Drew.

THE CHAIRMAN: I beg your pardon?

A. It is the last complete one. They issue them in interim sections from time to time and then they bind them together. Here is the preliminary report for 1938.

MR. ELLIOTT: That would be the inventory value at the mill?

A. Actual cost at the mill.

Q. Would you say actual cost?

A. Cost of the wood delivered at the mill. Inventory cost, yes.

Q. It is the value at the mill?

A. Yes; inventory value.

Q. That might not necessarily be the cost?

A. Oh, yes, I would say the cost.

MR. COOPER: How is it delivered to the mill?

A. In some cases it is delivered by water; it is floated.

HON. MR. NIXON: Does that apply to settlers' wood?

A. No; settlers' wood would be delivered by rail or truck. But the majority of the wood used is companies' own wood floated down the rivers to the mill. You may keep that copy, Mr. Flahiff, if you like.

THE CHAIRMAN: You do not need it while giving your evidence?

A. I do not think so.

THE CHAIRMAN: Then we shall file it as an exhibit.

EXHIBIT NO. 43—Filed by Mr. Robinson: Publication of the Dominion Bureau of Statistics re Pulp and Paper Industry in Canada, 1937.

MR. DREW: Is the supplementary report from the King's Printer or from the Dominion Bureau of Statistics?

THE CHAIRMAN: The King's Printer prints everything.

WITNESS: I would say that it comes from the Department of Trade and Commerce. I think if you apply to the Department of Trade and Commerce you will get it. You may keep that one, if you like; we have another copy.

EXHIBIT NO. 44—Filed by Mr. Robinson: Preliminary report on the Pulp and Paper Industry in Canada, 1938, published by the Minister of Trade and Commerce.

MR. DREW: I notice that the gross production of wood pulp and paper for the year 1937, according to this, was \$226,244,000.00. I am rather impressed by the fact that with that valuation, the total valuation of the export of pulp logs to the United States was \$12,000,000.00.

A. Well, the exact figures is \$13,641,798.00.

Q. That is for 1938?

A. That is right.

Q. But in 1937 it was \$12,000,000.00?

A. That is right—\$12,088,329.00.

Q. Yes. So that the actual dollars and cents value of the pulpwood exported is relatively small, in relation to the total value of all the products in this industry?

A. Quite true, but, on the other hand, one must consider that if that wood exported could be converted into paper products, instead of having a valuation around \$8.00 per cord, it would probably be converted into an average minimum value of about \$40.00.

MR. COOPER: Yes, but you cannot sell your paper products now, Mr. Robinson.

A. That is quite true, but the more pulpwood that is exported, as pointed out by Mr. Vining this morning, the less is your opportunity to sell your product; and the difference between the \$8.00 figure and the \$40.00 figure is to a great extent wages.

Q. Would it not mean that the wood which is exported would simply not be used at all?

A. One cannot say that, because, if it were not exported, the product that it is made into in the United States might very well be bought from Canada.

Q. Yes, but that has not been the history when an embargo was on. That did not prove to be the case?

A. I would rather put it this way, Mr. Cooper; that had the embargo not been on the state of the industry would have been much worse than it was.

MR. ELLIOTT: Was there any decrease in the sale of pulpwood to the United States when the embargo was on?

A. Pulpwood?

Q. Yes.

MR. COOPER: From other sources.

MR. ELLIOTT: No, from Canada. Was there any decrease in the sale of pulpwood from Ontario to the United States when the embargo was on?

THE CHAIRMAN: You have the figures here.

MR. ELLIOTT: They are relatively small. I have reference, of course, to pulpwood exported from Crown lands as well as privately owned lands.

A. Are you speaking of the embargo in Ontario?

Q. Yes, from 1928 to 1931.

A. When did the embargo go into effect?

Q. I think it was 1928.

MR. DREW: Apropos of a question that was asked this morning, Mr. Robinson, —

WITNESS: Excuse me, Mr. Drew, I was waiting to answer the question of this gentleman.

MR. ELLIOTT: I have the figures here from 1928 to 1937, both years inclusive.

A. That is from the Province of Ontario?

Q. Yes.

A. I have not got those figures here.

Q. From the Annual Report of 1939, 47 percent of the pulpwood exported to the United States out of Ontario was from privately owned lands?

A. How much was that?

Q. 47 percent of the pulpwood exported to the United States in 1939 was cut from privately owned lands?

A. Yes.

Q. So that if you put an embargo on pulpwood exported from Crown lands it might have the effect of increasing the demand from privately owned lands and might not accomplish the purpose of restricting very materially the export of pulp to the United States.

A. The 47 percent in 1939 was from private lands, and 33 percent came from Crown lands. Is that correct?

Q. 53 percent was from lands other than privately owned lands.

A. Yes, 53 percent.

Q. So that if you put an embargo on it would have the effect of increasing the demand for pulpwood from privately owned lands and might not substantially decrease the export of pulpwood from Ontario to the United States.

A. That is an open question.

THE CHAIRMAN: In the province of Quebec, Mr. Robinson, we have been told—and I believe it is quite correct—that all exports come from privately owned lands.

A. Correct.

Q. I do not think we have been given any definite figures, but I believe it was mentioned that around 800,000 cords or more per year were exported from Quebec.

MR. DREW: We were given figures.

HON. MR. NIXON: 1937 was the last year.

WITNESS: I have not those figures with me.

HON. MR. HEENAN: In 1937 the figure was 456,335 cords.

A. Yes, 456,335 cords in 1937.

Q. And 1938?

A. 312,461 cords.

THE CHAIRMAN: What were the figures for Ontario?

MR. HEENAN: In 1937 the figure was 616,965 cords, and in 1938 it was 716,269 cords.

WITNESS: Those are the figures I gave this morning. Those were the round figures I gave this morning.

THE CHAIRMAN: I was not here this morning when you gave those figures.

MR. DREW: Apropos of a question that was asked this morning, Mr. Robinson, I find in the preliminary report for 1938 that wood pulp to the value of \$695,819.00 was imported from the United States. The large item which represents most of the amount was 28,443 tons of unbleached sulphite. Can you give an explanation for that?

A. That is largely the importation of the M. & O. Company at Fort Francis from their mill across the river in the United States for making newsprint.

Q. Well, is there no duty on that?

A. There is a 99 percent drawback if the paper is exported as it is.

Q. Mr. Robinson, has there been any study made by your association of the trend of production in the United States and the likely demand for wood products of various kinds from Canada in accordance with that trend?

A. I would not say that any specific study has been made by the Association as a whole; the various sections are constantly dealing with these questions because that is Canada's most attractive market both as to production and price.

Q. What I have in mind is this: We are considering the question of the desirability of export of pulpwood as compared with the restrictions that existed at an earlier date and it seems to me that in consideration of that subject it is really necessary to examine very carefully the production trends in the United States. It doesn't make very much difference if we simply take figures by themselves unless we know what the corresponding situation is in the United States at any given time?

A. I think I can answer your question in general terms: There has been a tremendous increase, a very large increase, in the production of bleached and unbleached sulphite pulp in the United States; it started about 1930, it has gone on steadily, it has been sharply accelerated since 1937, starting 1937. Most of that additional production is on the west coast of the United States. I am talking about bleached and unbleached sulphite pulp. In addition to that you know very well the very large increase that was taken place in the production of kraft pulp and the related industry of making board out of it in the Southern States over recent years.

Q. You see the importance of that is this, if the production of newsprint and other paper products in the United States has been on a fairly even level then the fact that we are exporting an increasing quantity of pulpwood while at the same time there is an increase in the production of newsprint in Canada would seem to dispose of any argument that the exportation of pulpwood can possibly affect the mills in Canada, but if in view of what you say it might appear that the increase in the consumption of pulpwood is largely due to the increase in new types of production in the United States——?

A. Increased production of wood consuming branches of the industry.

Q. Yes, and I am not giving evidence, but it seems possible that the export of pulpwood from here to mills which make things other than we manufacture here may merely be releasing pulpwood to newsprint mills in the United States which otherwise they would have to buy in Canada?

A. That is quite correct.

There is the added consideration also apart from newsprint the wood that goes from Canada to the United States is used not only for the manufacture of newsprint but for the manufacture of various kinds of pulp. The United States is Canada's best customer for pulp. The more wood that goes to the United States for the manufacture of pulp the less opportunity there is to sell to the United States pulp manufactured in Canada.

MR. COOPER: Q. Where do they get the wood they don't get from Canada?

A. They get it from various forest areas in the United States.

Q. Don't they import pulp from other countries?

A. I don't think they import from any other country but Canada.

Q. Don't they from Scandinavian countries?

A. Oh no, never.

Q. What about Newfoundland?

A. They may get a small quantity from Newfoundland; that was the only query; we covered that this morning; but in general the importation from countries into the United States of pulpwood other than from Canada is negligible.

HON. MR. HEENAN: Q. Have you any idea of the quantities of pulpwood the United States has on the west coast?

A. I have no specific information on that, Mr. Heenan.

Q. Well, in relation to this question, and I am speaking more particularly in relation to the Province of Ontario, if to-day, we shut off the exportation of pulpwood, what effect would that have—that the settlers in Quebec and the Provinces of Manitoba, Alberta, Saskatchewan and British Columbia would fill

the export to the same market that we were supplying—wouldn't there be just that much more to them that we had shut off? Or in other words, if we were going to shut off the exportation of pulpwood with the thought it would force the location of a mill somewhere in Canada, wouldn't the provinces all have to act similarly, having regard to the fact that there are various mills, for instance, in Quebec, who are not exporting from Crown lands, and yet there are numbers of settlers who have the right to export, they are very numerous, and then we have the Indian Department, or the Department of Indian Affairs, and timber is exported from every province in Canada—wouldn't it really have to be national to make it effective?

THE CHAIRMAN: And railway lands.

HON. MR. HEENAN: Q. And railway lands. Wouldn't it all have to be made a national organization rather than a provincial one?

A. I would say that that would be a very desirable thing.

Q. No, I don't say "desirable"; I mean ——

A. May I finish my answer? You will forgive me.

Q. Yes, yes.

A. If we look at the figures for 1937 and 1938—in 1937, speaking to your point as to whether the lifting of the embargo on the exportation of pulpwood in Ontario would not induce greater shipments from other provinces—or the imposing of an embargo ——

Q. That is it?

A. —— on Crown lands exports from Ontario would induce greater exports from other provinces, that was your point, I think?

Q. Yes.

A. Well, if you take in the year 1937, the exports from Quebec, where the policy had remained unchanged, amounted to 456,355 cords. In 1938, the exports from Quebec were 312,461. In Ontario, in 1937, the exports were 616,965 and in 1938, 716,269. So that Quebec, apparently, did not participate in the 1938 market to the same extent that Ontario did.

Q. In other words, when we increased they decreased?

A. When you increased they decreased—correct.

Q. And if we hadn't increased ——?

A. But if you had decreased, I don't know that it would follow that they would increase.

MR. COOPER: Q. Well, why? If the American market demanded so much, wouldn't it follow if we decreased they would increase?

A. The demand in 1938 was just about the same as it was in 1937, the total demand.

Q. Yes. Well then, if Ontario decreased, wouldn't it follow that Quebec must increase to meet that demand?

A. I don't think so, necessarily, because I don't know that they have as much wood to export from freehold lands as you have in Ontario. The point that Mr. Heenan was making was a reversal, that probably Quebec had more freehold land from which to export than Ontario, but despite the demand that existed in 1938, the export from freehold lands in Quebec decreased rather than increased.

THE CHAIRMAN: Q. Well, you have quite a large area of freehold lands in Quebec on the south shore of the St. Lawrence, all the old Seigniories that were along the shore, and you have another quite large quantity of freehold, haven't you?

A. I can't answer that question. No, Mr. Leduc, you will forgive me, but I am not an expert on woods operations.

MR. ELLIOTT: Q. Do you believe, Mr. Robinson, that an embargo on pulpwood would decrease the export of pulpwood from Ontario—that an embargo on pulpwood being exported from Ontario would decrease the export from Ontario?

A. In general principle I would think, yes.

Q. Following the report of the Department of Lands and Forests for the year 1938, it shows that in 1928, when there was an embargo on the export of pulpwood from Crown lands, there were only 840 cords exported from Crown lands, and over 600,000 cords from other lands. Now in 1937, when there was no embargo, there were 512,000 exported out of which over half was from Crown lands, slightly over half; so that an embargo simply preserves the raw material on our Crown lands, and if you put an embargo on, you simply alter the distribution between Crown lands and privately owned lands, without necessarily restricting the export of pulpwood in Canada. Do you agree with that? Have you those figures? The Chairman has them before him; they are published in a report from the Department.

THE CHAIRMAN: Q. In 1937 for instance, Mr. Robinson, the total exported from Crown lands in Ontario was 242,372 cords; the total exported from both provinces, according to the figure you gave a moment ago was, 1,073,290 cords; so that there is really less than twenty-four percent exported from Crown lands out of the total exports from the two provinces. In 1937, if we had had an embargo in this province on exports from Crown lands, the total export would have been reduced by only about twenty-three percent.

MR. ELLIOTT: Q. The probability is an equal quantity of pulpwood might have been exported from privately owned lands.

Go back to the year 1928, when there was a great demand for our pulpwood

in the United States, there was less than a thousand cords from Crown lands and over 600,000 from privately owned lands.

HON. MR. HEENAN: Q. You see, Mr. Robinson, you have said that you are not a wood expert and you are in rather a neutral position, and it is just from a gentleman like yourself that I could get unbiased opinions. Keeping to Ontario, we have labouring men here who make their living by bush operations due to export; contrary to that we have men who are making their living in the mills—they are against export. Then we have men who have some rights to cut on Indian Lands favouring the embargo on exporting from Crown Lands. It is therefore to gentlemen like yourself that we look to get unbiased opinions?

A. I would much rather deal with this question on the broad principle as affecting the industry as a whole and I go back to my original statement this afternoon, that the more pulpwood that is exported to the United States to the greater extent is our possible market for pulp and paper products for sale in the United States restricted.

Q. You wouldn't care to put it the other way, that the longer the delays in bringing new industries into the country—?

A. I think that the question of bringing new wood consuming industries into the province is one that requires very careful consideration having regard to the competition that we will have to face following the war that is now on.

MR. COOPER: Q. And wouldn't it mean this too, that these mills would simply move to southern and western United States where there are enormous resources?

A. Not necessarily.

Q. Well, supposing to-morrow we put a ban on the export of pulp from Crown lands, is it your opinion that that would bring one mill over to Canada?

A. That I cannot answer.

Q. What is your opinion in view of these figures?

A. My feeling is this, that we face now in Canada an opportunity to develop the pulp and paper industry such as we have not had for some time. I said to Colonel Drew this morning in general I agree with the statements that were made by Mr. McInnis in his annual address but I think that the development of the industry must be with a very careful examination of the long term considerations; otherwise we get over-stimulation, and when you get over-stimulation you have a corresponding reaction. The industry itself has taken steps to gather itself together in its organization to take advantage of this time of better business into which the industry is entering now, to try and develop more efficient methods within the industry, examine all the possibilities for markets that this industry in Canada has not previously enjoyed and develop in a considered way, and in that we ask for the kind of co-operation that Mr. Heenan put so well this morning where everybody gathers together with this national industry to take advantage of the opportunities.

Colonel Drew also touched on that in connection with research. The industry has already taken that matter in hand and we seek only the best of co-operation so that we can integrate all those many activities in Canada that bear on the export development of the industry, as Mr. Heenan summarized that very well this morning, labour, transportation, Government support, all these things are needed, because I don't know of any industry in Canada that is so national in its scope and touches so many phases of our national economy in such a widespread way as does the pulp and paper industry.

In employment, there were in 1938, 30,000 regularly employed mill workers. In addition there were approximately 90,000 men employed in woods operations. The wages paid out to the 30,000 employees regularly engaged in the mills amounted to nearly \$43,000,000.

MR. DREW: Q. That is the wages in the mills alone?

A. The wages in the mills alone, about \$43,000,000. I will give you the precise figure if you want it: \$42,620,000.

THE CHAIRMAN: Q. That is wages and salaries in the mills only?

A. Exactly, on woods operations.

In addition to that the industry contributes a great deal to agriculture, not only in the purchasing power that it gives by the payment out of these wages which we have just mentioned, but in addition the wages paid out to woods operators. The industry makes enormous purchases of fodder for horses and food for men in the woods and that extends to the canning and meat packing industries. It contributes to the mines; an enormous quantity of mineral products go into the equipment of the mills.

Q. Think of all the lumber that goes into the mines.

A. Quite true. That is lumber. I am talking about pulp and paper, sir.

Many of the heavy industries in Canada owe their inception to the pulp and paper industry and they have grown to large proportions.

MR. COOPER: I don't want you to get the impression we are cross-examining you in these questions.

WITNESS: No, no. I would like, if you would allow me, Mr. Cooper, that I might just interpolate this—I won't take very long, I would like to just cover this point. Is that all right?

MR. COOPER: Go ahead.

WITNESS: There are contributions in power consumption; the pulp and paper industry is the largest power consumer in Canada, and there goes along with that all the electrical apparatus related to power consumption for both steam and motive power. It contributes to the cement industry. Think of the

thousands of tons of cement that go into the dams and spillways. It contributes in the consumption of building products, bricks, fabricated steel, all the things that go into buildings. Now it seems to me that there has been a great deal of defeatist thought about the pulp and paper industry.

I have no reason to be a defeatist about it; because, in 1913, the exports of pulp and paper amounted to about \$12,000,000; and in 1939, they amounted to \$155,000,000. The 1913 figures are only three percent of Canada's total exports.

Now, if we have an industry that has grown within that period to that extent, and if it is as national in its contribution as I have indicated, I am entirely in accord with Mr. Heenan's opinion expressed this morning, that you have not the past to be ashamed of, but we rather have a future that we can take advantage of, if we all integrate our efforts in a positive way.

MR. COOPER: Q. There has been a lot of controversy over the pulp and paper industry in the last four or five years, is that not so?

A. Quite true, Mr. Cooper.

MR. ELLIOTT: Q. Have you the figures to show how the pulp and paper industry ranks as an employer of labour, as compared with the mining industry?

A. I have not those figures.

Q. I understand from the *Financial Post*, there are sixteen point two percent employed in industry in Canada in the pulp and paper industry, as compared with mining.

THE CHAIRMAN: I would like that checked up carefully.

MR. COOPER: Are you speaking as a minister?

THE CHAIRMAN: I am speaking as an impartial chairman.

HON. MR. HEENAN: Q. You spoke of pulp and paper, does that include newsprint as well?

A. Yes, that includes the whole pulp and paper industry.

MR. ELLIOTT: Q. What about the question of freight and transportation,—have you any statistics to show the value of the pulp and paper industry as to railway freights?

A. They exist, but I have not got them in front of me.

Q. Another thing which I think is important just now is the question of exchange, since this war started. Going back to depression years, the export of pulp and paper to the United States was a big factor in maintaining the Canadian dollar in the United States, was it not? Why I mention that, is that Mr. Clarkson, in giving evidence here a few days ago, stated that we needed exchange, and that that was one of the things which should be taken into consideration in

determining whether or not restrictions should be placed upon the export of pulpwood at this time.

A. There is no doubt that the pulp and paper industry contributes to a greater extent than any other industry to Canada's favourable trade balance.

MR. DREW: Q. That is, perhaps, dependent upon what you speak of as a favourable trade balance. After all, we have not had a favourable trade balance with the United States for years?

A. I said, "contributed toward it".

Q. I think what would be correct on the figures we have got would be that it is the largest single item assisting us in our trade relationship with the United States at the present time?

A. That would be another way of making my statement.

Q. The only reason I differentiate it is, because one usually speaks of a favourable trade balance as needing an excess of exports over imports?

A. I am an optimist, and always keep my eye on the goal and thinking of a favourable trade balance, and hope we will arrive there,—always on the way up.

Q. Now, Mr. Robinson, either under the Research Institute, which is associated with your Association, or under the Association itself, has there been any survey into the Forestry Methods enforced in Canada?

A. That would not come within the purview of the Research Institute. That would come more within the purview of the Woodland Section of the Association, in co-operation with the Forestry Departments of the various provinces and the Dominion Forestry branch. Many surveys have been made

Q. Is there any recent survey which has been made, that you can speak of?

A. No, I cannot think of any recent comprehensive survey that has been made; but I think that such a survey is very desirable in approaching the problems that we are discussing here to-day.

Q. You see, I believe that we have placed on record a great deal of extremely valuable information; but one of the needs that has impressed me in regard to a number of extremely practical aspects of this whole problem, is the extent to which we are all compelled to guess in regard to really almost vital aspects of the problem. Let me just amplify that before I ask you a question which I have in mind. For years people have been talking about our loose methods. I am not saying that critically of this or of any other province; but for years people who I believe can claim to be experts have been telling us of the absence of effective forestry practice in this country, as compared with Scandinavian countries and other countries where they have established that practice over long periods of years. And yet, when it comes down to getting concrete evidence in relation to the present situation and in relation to the situation elsewhere, it is almost impossible to get anything except general opinions. Can you suggest

to me any one place where I can go and get a really comprehensive, up-to-date survey as to forestry practice in Canada, in connection with what could be considered to be up-to-date forestry practices?

A. A great deal of information exists; much of it is available from the Woodlands Section of the Association. It consists of correlating information that is available from the various provincial and dominion sources of information.

One of the efforts that we made within the industry, and particularly within the Association, is to eliminate duplication of work and duplication of effort and expense on just such matters.

Many loose opinions have been expressed, mostly negative and critical of woods operations in Canada. In many cases these statements have been made with an ulterior purpose in mind. But forestry practice in Canada has been progressively better over many years, as a result of the studies that have been made with an ulterior purpose in mind. But forestry practice in Canada has been progressively better over many years, as a result of the studies that have been made by the Woodlands Section of the Association. And that information has been made available to the industry, all the members.

But it is a very broad question; and when you ask somebody to come before you gentlemen and give specific information on the subject, that comes to them entirely out of the blue, it is very difficult to give specific answers.

Q. I realize that.

A. I am not speaking of my own experience, which has been exceedingly pleasant with you to-day. I am not speaking of that. I am trying to convey to you, if I may say so, a corrective to your trend of thought, as I understand it, that the industry has not got the essential facts to properly carry on effective operations. They have the information, and it is available.

Q. Who has it, then, Mr. Robinson?

A. It depends upon what phase of the industry you wish to touch?

Q. I am glad to know that this information has been correlated, but I do not want to let the suggestion pass, for I assure you no corrective is needed of my train of thought. We have had men come here from all branches of the industry, and when we have come down to an exact analysis of forestry methods and comparative methods, it has been astonishing the lack of any clearly defined expression that it has been possible to get. And it occurred to me that perhaps there was some periodical report in regard to the general trend of forestry practices in this country, that might very well be placed on record. Or, conceivably there might be some particular individual who was dealing specially with this subject and could outline the facts for us. Is there somebody dealing particularly with that?

A. Would you leave that with me, and I will try and make a suggestion to you, Mr. Chairman?

THE CHAIRMAN: certainly. I want to make an observation, speaking of mining —

MR. DREW: Just a minute. Mr. Heenan was very indignant the other day of any suggestion about headlines. He should be very careful that the Mining Department does not get headlines out of the Forestry Investigation. Naturally, I am only joking about that.

THE CHAIRMAN: Q. Every year, Mr. Robinson, there is a convention of the Institute of Mining and Metallurgy, of people interested in mining from all parts of Canada. You have a similar association?

A. Yes, we have.

Q. At that meeting papers are read on mining practices, and so on. I suppose the same thing is true of your Association?

A. Yes.

Q. Now, these papers given at the mining convention, I suppose, are published in the Northern Miner or in the publication of the Institute. And you must have some such paper or publication in which these matters can be found?

A. All those papers are available from the Secretary of the Woodlands Section of the Canadian Pulp and Paper Association, in so far as they are publications of the Association; and many of them are printed,—those that are considered of general interest are printed in the trade magazines.

Q. So that a number of these papers are available in printed form at present?

A. Yes.

Q. And I suppose the Secretary of your Association has them already in file?

A. He will be very glad to give them to you, if they will be of any assistance to you.

MR. DREW: Q. Possibly he could submit a digest of articles printed in regard to Forestry Practice? I do not mean a digest of the material in the papers, but a reference to the articles, so that we could know where to get them?

A. He would be very glad indeed to send you a list of the articles which have been published. That is what you mean, is it not, Colonel Drew?

MR. DREW: Yes.

THE CHAIRMAN: Q. And in that case, if we would like to see copies of these publications, he would have them?

A. I am sorry.

Q. If the Committee decides that they would want to see copies of certain of these papers, they could get copies of them from your secretary?

A. Certainly.

MR. DREW: Q. Is that something which he would already have before him, Mr. Robinson?

A. The Woodlands Section has already available a number of already printed articles on different phases of Woods Operation. And those are available immediately.

Q. I was wondering if it would be convenient for him to send down, in the next day or so, a list of them?

A. Yes, certainly, I will see that that is done.

Q. Because it would be extremely helpful. Do not imagine I am being in any way critical of what is being done, but the difficulty that I have experienced, at any rate, as to obtaining impartial opinions in regard to Forestry Practice, because there undoubtedly is a wide divergence of opinion, and that very often is affected by the approach to the subject?

A. I quite sympathize with your lack of information on that subject before this Committee.

My remarks that I made as to a corrective of your trend of thought, as I put it, were more to indicate that perhaps those whom you have had giving evidence here have not been specially associated with Woodlands Operations. And general opinions therefore on Woodlands Operations must be given, rather than specialized opinions. And you want some specialized information, Mr. Chairman, as I understand?

MR. DREW: Yes.

THE CHAIRMAN: Q. I understand that the papers which were prepared for your Association and read before it are prepared by people who are actively engaged in forestry operations?

A. That is correct.

Q. They were practical men, not theoreticians?

A. That is correct.

MR. COOPER: Mr. Staunton, the woodsman of the Abitibi is a practical man who appeared here.

THE CHAIRMAN: Yes, he is a practical man.

MR. DREW: There is another problem which may or may not have been considered by your Association, but it seems to me is one of great importance at

the present time. A few minutes ago you pointed out that there has been an increase in the general confidence in this industry in the past few years. One place where confidence has been rather lacking is in the investment side of this industry. Has any survey been made by the Association on financing methods in this industry?

A. Not to my knowledge. We have left that to the financiers. We are more operators and merchandizers.

Q. After all, financing is an essential part of the industry as a whole, and it occurred to me that possibly there had been a general survey of financing methods in this industry?

A. Not to my knowledge.

Q. Do you know of any survey which has been made by any financial group or otherwise into the broad problem of the financing of this industry in Canada?

A. I cannot recall any. I suppose that various financial houses have issued from time to time articles bearing on that subject; but I cannot recall any comprehensive, objective study, such as you have mentioned.

Q. Would you think that might be a useful thing, Mr. Robinson, to have some such study as that?

A. I cannot see its purpose.

THE CHAIRMAN: Q. The point is that you have capital and you want to conserve the capital which you have at present?

A. We want to be able to pay dividends.

MR. DREW: Q. Of course that is the best way of restoring confidence. What I have in mind is that there have been in this country and in other countries as well various aspects of financing, which have not contributed to the public confidence; and it occurred to me that possibly from the point of view of the industry itself a general study of financing might have been of value?

A. My view on that, Colonel Drew, is if the industry is now financed. Our sole effort is to return to the investors in the industry interest and dividends on the money that they have invested.

Q. You see, it was rather an interesting thing, a few days ago I was reading the report of a Royal Commission in England in 1690 in regard to the method of financing the paper industry in that country. So that this subject is one that goes back fairly far; and I wondered if it might not be valuable as a composite part of the whole picture, to have some consideration of that part of it?

A. I would say my view is this, that probably in 1690 they were starting to finance an industry that had not been financed publicly before.

This industry has been financed,—the pulp and paper industry has been financed by funds from the general public, and therefore it is a *fait accompli*.

Q. Mr. Sweezey did not think so, when here the other day. He thinks that there is still some financing to be done. I gather that there are some who still think there is some new financing to be done in this industry.

A. Probably there will be, if the industry develops.

Q. However, it has not been done. So that I am not pressing the point.

A. Not to my knowledge.

Q. In regard to these questions of survey, the reason I am asking this, Mr. Robinson, is because different witnesses have pointed out the necessity for research other than the scientific aspect; and it has been suggested that the investigation of some of these subjects would be useful. I was wondering whether any survey has been made of the comparative cost factors in the industry in Canada and in other countries?

A. Yes, surveys have been made on various phases of cost factors.

Q. Are they in the form of articles or reports?

A. The difficulty about making public the results of such surveys is that it gives information to those with whom the industry is in competition.

Q. What you mean by that is that some of these cases, even if surveys have been made, it might not be desirable to make the results of these surveys public?

A. Quite so.

Q. There is one side of this, however, which seems to enter into this whole question that we have in mind, whether it is desirable or whether it is undesirable, both in Ontario and in Quebec. The Government itself is now very closely associated with this industry, through the attempt it has made to stabilize this industry by intervention and prorating. And once any government takes some part in the affairs of the industry, it is difficult to tell just how far that interest must go. And it does seem to me that these questions of cost factors, and things of that kind, are part of the broad problem which cannot be ignored in determining how far a government can go in enforcing prorating.

A. I would suggest that you discuss that with the gentlemen of that section of the industry with whom you were discussing the question of prorating.

A. Then let me put it in this way: When the time comes to actually work out the details of prorating, is information available in comparative cost factors, which could be used by the Committee?

A. I would think that that question could more properly be answered by those with whom you were discussing the prorating question.

HON. MR. HEENAN: Colonel, you mean cost factors within the mills themselves, which are the subject of proration?

MR. DREW: Q. True, rightly or wrongly, one of the most obvious criticisms of proration—not merely against proration in this industry, but in all industry—is that it places an umbrella over inefficient practices. It has been stated very emphatically that that is not so in this industry, that the real answer to that is to have the comparative cost factors as between industry operating under proration and industry not operating under proration. I do not want to pursue a question which might lead to the exposure of information which would be injurious to a major industry in this country, but I merely ask if that inquiry has gone to a point where such information would be available to those dealing with this question.

A. Please do not think that I am being non-co-operative. That is not my attitude at all, but really I think that is a question which can be more properly and comprehensively answered by that section of the industry with which you are discussing proration than by myself.

Q. Do you mean by that, the Committee which deals with proration?

A. I think it would be better to discuss the matter with them.

THE CHAIRMAN: Q. At the time they discussed proration?

A. Quite so.

MR. DREW: I have no further questions of Mr. Robinson, except I would say to him: You have been following the nature of the evidence here. Have you any comments you would care to place on record for the purpose of our information in regard to our industry which you think might well be considered by this Committee.

THE WITNESS: Not at the mement, Colonel Drew, except I would like to put this remark on record: My thanks to you for your courtesy and consideration. It has been a pleasure to be here to-day and I appreciate all the courtesies you have extended to me and I mean it sincerely.

THE CHAIRMAN: Well, Mr. Robinson, we are obliged to you for coming here and giving us the benefit of your knowledge.

I understand that you will ask the Secretary of the Woodlands Branch of the Association to send either to our Secretary or to myself a list of the articles which he has on file—and which of course are available—and that he will be ready to let us have copies of such articles as the Committee may think useful for the purposes of this inquiry?

THE WITNESS: That list will be mailed to you or to Mr. Flahiff to-morrow.

THE CHAIRMAN: Thank you very much.

THE WITNESS: Thank you, sir.

THE CHAIRMAN: We will now adjourn until to-morrow morning at 10.30 unless Mr. Flahiff notifies us that Doctor Hogg cannot be here, in such event we will meet on Monday morning at 10.30.

(At 4.30 p.m. the Committee adjourned until 10.30 a.m. Friday, May 3rd, 1940.)

THIRTIETH SITTING

Parliament Buildings,
Friday, May 3rd, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

THE CHAIRMAN: Order, please.

I have just been advised by the Secretary that the Honourable Earl Rowe has expressed a wish to give evidence before the Committee; and it has been suggested that we hear him on Monday afternoon. Is that satisfactory?

I have also been advised that Mr. Schmon will be here on Tuesday afternoon. We will hear him after we finish with Mr. Sensenbrenner.

I have received a letter this morning from Mr. Bickell, of the firm of Bickell & Co., dealing with the proration of newsprint and the exemption given to certain mills.

Mr. Bickell ends his letter as follows: You can use this letter and the clippings as you see fit. I feel that the matter raised in this letter should certainly be heard by your Committee, and, if necessary, should certainly be made a public issue in the Press.

Mr. Bickell briefly states that the attitude of a newspaper which owns one of these mills is against the allies, and that something should be done about it.

I think if Mr. Bickell wishes to put his ideas before the Committee, he should come here and do so. If the Committee is agreed, I will instruct the Secretary to write him accordingly.

HON. MR. NIXON: I would rather consider that letter before we do anything with it.

THE CHAIRMAN: Would you rather let the matter stand until the adjournment?

HON. MR. NIXON: Yes.

THE CHAIRMAN: All right, Dr. Hogg.

DR. T. H. HOGG, Called:

THE CHAIRMAN: All right Mr. Drew.

MR. DREW: Q. Dr. Hogg, in the evidence that has been given here in regard to the problems of the newsprint industry, a good deal has been said about the importance of power as a cost factor in the production of newsprint. And there are two or three points which have arisen from that evidence that it would seem to me should be before this Committee in considering any possible way in which assistance can be given to the industry as a whole.

Before proceeding, however, with the details of that aspect, I wonder if you could tell us what proportion of the total power produced by the Hydro-Electric System is used by the newsprint industries in Ontario?

A. A comparatively small amount. The Thunder Bay System, a pretty high percentage of the capacity goes into newsprint. But the only other location where we have a newsprint load is in the Niagara System, the Ontario Paper Company load. They have about 40,000 horse power, or 35,000 horse power, which is a very small percentage of the total of the system,—a 35,000 horse power load out of 1,200,000 or 1,300,000 horse power.

THE CHAIRMAN: A little less than 3 percent?

A. Yes.

MR. DREW: I have some figures here that I want to ask your opinion on. I refer first to an article on the Pulp and Paper Industry, which was in a series of articles reprinted from the *Financial Post*; and I see an opening paragraph, under the heading "\$18,000,000 Power Bill,"

"Canada's largest power user is the Pulp and Paper Industry. It provides by far the greatest individual market for the central electric stations, as it purchases more than 55 percent of all power sold for industrial purposes."

Would that be right?

A. I imagine that the statement would be accurate.

Q. Well, is the industrial purchase then such a small proportion of the total, that that 3 percent total would equal 55 percent

A. Do not misunderstand me. You asked me what proportion of our load is the paper load. I say we have a very small share of the paper load on our system; because the larger plants generate their own power.

The Abitibi generates its own capacity; and the only place in which we furnish a paper load, to any great extent, is in the Thunder Bay System, and in the Niagara System it is a small proportion.

In the case of the Thunder Bay System the newsprint power is about 40 percent, Colonel.

In the case of the Thunder Bay System, our load runs about 90,000 horse power, of which 40,000 is the newsprint load. That is about 40 or 45 percent. And that does not include, of course, the Kaministiquia load. Again I would say in the Thunder Bay load, Port Arthur and Fort William, 50 percent of the whole load is newsprint load in that particular area.

MR. COOPER: Q. How does that compare with the mining industry in Ontario, Dr. Hogg?

A. Mining is pretty small compared to that.

MR. DREW: Q. Mining is small in comparison?

A. I am thinking not so much of Ontario as of the whole country load.

MR. W. G. NIXON: Quite a proportion of the mining industry is served by other companies?

A. Yes.

MR. COOPER: The witness says that Mining is very small, as compared with the consumption of power —

WITNESS: That is one way of putting it.

THE CHAIRMAN: Q. Have you added to the amount of power which you supply to the mines that which is supplied by the Northern Canada Power?

A. I am thinking particularly of the Thunder Bay area, of which we say here 50 percent is newsprint load. There there is about 12,000 horse power used in the mines, which is about 10 or 12 percent. Now, if you extend that across the country, that percentage will vary.

THE CHAIRMAN: Does that publication give the number of people employed by the Pulp and Paper industry?

MR. ELLIOTT: No.

THE CHAIRMAN: Yesterday a witness said the Pulp and Paper industry employed about 60,000 people. I know that in one district alone they employed that many in the mines.

MR. ELLIOTT: The Pulp and Paper industry is a continuing thing, which will be continued long after mining is wound up.

MR. DREW: I will refer to another statement in regard to the power situation, made in an exhibit which was filed here yesterday as Exhibit 42, a memorandum prepared by the Newsprint Association of Canada for submission to the government of the province of Quebec.

This is what it says, at the bottom of page 7, and I would just like your confirmation or otherwise of the statement:

"Reports by Dominion Bureau of Statistics show that, in 1938 and 1939, the value of newsprint exports exceeded the value of wheat exports by over \$10,000,000.00 a year. Power company officials estimate that newsprint mills use 40 to 45 percent of total power consumption in the two provinces. There are single mills taking more power than is needed to light Montreal and Toronto combined."

Is that a correct statement?

A. Oh, I think that is a little bit extreme.

Toronto takes close to 400,000 horse power, and I do not know of any single mill that uses that amount of primary capacity. They might use it in the replacement of coal.

HON. MR. NIXON: To light Toronto, it says?

A. I beg your pardon, I misread that.

MR. ELLIOTT: Does this include power used for industrial purposes?

A. No, this only includes that used for lighting purposes.

MR. DREW: "By direct employment, newsprint supports a population equivalent to the total combined populations of Chicoutimi, Granby, Kingston, Belleville, St. Hyacinthe, Guelph, St. Jerome, Sherbrooke, St. Thomas, Stratford, Valleyfield, Sarnia, Hull, Peterborough, Sorel, Levis and Sudbury."

I do not suppose you are in a position to make any comment on that, Dr. Hogg?

A. No.

Q. But would you say that that figure is approximately correct as to the total power consumption in the two provinces, 40 to 45 percent being consumed by the newsprint mills?

A. Yes, I would. I think the percentage is higher in Quebec than it is in Ontario. But I think the balance combined would be something of that order, of 40 to 45 percent.

Q. Now, I do not want to embarrass you in your official capacity, Dr. Hogg, on power costs, but one point which has come up here, on a number of occasions, is the importance of attempting to reduce the power costs as much as

possible in relation to this industry, having regard to the fact that practically all of the product is sold outside of Canada and must compete with competitors who have a lower power cost. If I use terms which are not technically correct, I hope you will correct me. But in the evidence given by Mr. Clarkson, the Receiver of Abitibi, he mentioned that they were able to obtain rather low power costs through certain very favourable factors in the delivery of power at the lake head. He pointed out, for instance, that of the total purchased it was distributed over the twenty-four hours in such a way that they were able to buy their power at a reasonably low rate.

I do not want to put you in an awkward position, as Chairman of the Hydro Commission, but, on the other hand, if you can answer the question, it does seem to me that it is an important part of this problem. Do you know of any method by which power costs could be reduced to the newsprint industry, without actually making reduction in the form of a subsidy by the province?

A. No, I cannot conceive of any such way except in the form of an indirect bonus. If the Department of Lands and Forests will cut off the dollar per horse power per year rental, we could pass that on to the consumers; but the Government will lose the dollar per horse power rental. And that is in the form of a bonus.

At the present time we have been very sympathetic to the position of the newsprint companies at the head of the lakes, to such an extent that we are selling them power now at, I think, about \$4.00 a horse power less than Port Arthur and Fort William pay.

The cities pay something near \$21.00; and our rate to the paper companies is \$17.00. I suppose,—

Q. I do not want to interrupt, but that was the very point I had in mind. I understand, for instance, that Port Arthur pays \$21.00 per horse power, or in that neighborhood?

A. Yes.

Q. And yet because of the fact that over the twenty-four hours period, they can distribute their sale of power, they make money on the power they purchase at that price,—that is correct, is it not?

A. Yes. I think what you are referring to is diversity. But the diversity between the paper load and the city load perhaps can be stressed too much, because the paper companies use their power almost continuously it is a steady load. I think their annual load is something like 85 percent over the whole year. So that you can stress that angle of the question of diversity too much.

To be frank with you, we have stressed it the other way, in the sense that we have cut the rate, I would not like to say "too much,"—I do not think we have; because, I think, in all fairness, what helps the newsprint mills helps the cities; it helps employment, and in that way the cities are interested in seeing that they get low prices, while at the same time they do not pay too much themselves.

You asked, could we give lower rates to the newsprint companies? Yes, we can give a lower rate, but if we cut the rate from \$17.00 to \$15.00, Port Arthur and Fort William must of necessity pay more for their power, \$24.00 or \$25.00, which would have to be reflected by higher rates to the domestic consumers in those cities. Of course that is a reverse action.

You may say, what right have you to-day to bonus the newsprint users of Port Arthur and Fort William to the extent of giving them \$17.00 power, while the cities have to pay \$21.00? and that is a fair question. The answer is a rather involved one.

This question of diversity comes into the picture, but behind it all is the fact that, on account of our financial set-up, the way our business is handled, Port Arthur and Fort William are building up year by year an equity in the Thunder Bay System. They are going to own it some day. Each year, as the sinking fund retires the capital, it is being reflected in their increased ownership; and therefore that \$21.00 that they are paying is reflected in an increased equity; which is not the case in the case of the newsprint companies; they pay so much a horse power and they are through with it.

So that the difference between \$17.00 and \$21.00 is not a bonus on the part of the city. But, as to whether we could go any further than that and cut the price below \$17.00, I do not think we can.

If the newsprint companies will move out to the power plants, or build close to the power developments, so that we do not have transmission charges and we do not have step-up and step-down charges, we would be able to sell at a cheaper rate. But when we undertake to do that, we run into difficulties with the cities of Port Arthur and Fort William, who want the mills located in the municipalities, to get the benefit of the employment.

I do not know whether that answers your question?

Q. Yes, that answers it. I suppose also there is another aspect of this question, and that is that by giving cheaper power to the mills that is also a direct benefit to the municipalities by increasing the employment in that area?

A. Yes, because the other angle, carrying that idea on, supposing they have the fixed rate to the newsprint companies at \$21.00, the same rate as to the towns themselves, and thereby force the newsprint mills, during the period of the depression, to close their doors. The effect of that would be that the rate, instead of being left at \$21.00, would automatically go up because you are not selling so much power. So that there is a compromise there which helps both parties.

MR. COOPER: Q. This is all firm power, is it?

A. Yes, I am speaking entirely of firm power. The secondary or interrupted power that we have we are glad to give to the mills at much lower rates.

Q. How much lower?

A. Oh, very much lower. That power, I suppose, nets us only about \$3.00 a horse power a year. It helps them and it makes a saving, and it is increased revenue, so far as the Commission is concerned.

Q. Do any of them take it?

A. They take it all. We cut it off a few months ago because our storage was being depleted on Lake Abitibi, and we could see a position arising where we would need all the power we had; and so we cut the secondary. But if the precipitation is back, we will sell it to them again later in the season.

HON. MR. NIXON: Do you refer to Lake Nipigon, rather than to Lake Abitibi?

A. Yes, I meant Lake Nipigon.

MR. SPENCE: Q. It is hoped that power will become cheaper to the mills as the sinking fund retires the cost further?

A. Yes, I think our mills to-day are getting pretty close to the generator capacity of the system; but as you get closer to that generator capacity, the cost of power goes down.

Then of course you come to the position where a new plant goes in and then your costs go back up again until it is in full use.

By the way, sir, if I may go back to my previous statement, you asked me is there any way in which we can decrease the cost: Yes, with Mr. Leduc's permission we can increase the rate to the mines in the Long Lac area; they are paying \$35 a horse power and if you would like to charge them more and reflect it in lower rates to the mills that is one way of doing it.

THE CHAIRMAN: That is the trouble, people are attacking the mines all the time. I don't believe that is a very good suggestion.

WITNESS: No, I don't think it is either.

The point I want to make clear is that in the case of the mines and the lines that we build out to furnish the mines where we charge \$35 a horse power we retire the cost of that capital in a period of ten years because the mines may be a shorter term than the cities' load in Port Arthur and Fort William, that is the reason for that differential.

MR. SPENCE: Q. If the pulp mills increase their load factor—I don't know the technical term perhaps—the amount of power they take from the Hydro, would that have a tendency to lower the rate for power?

A. No.

The point I want to make is, we have certain fixed charges, we have a plant of a capacity of around 125,000 horse power; now if we sell 90,000 h.p. from that plant and get a certain amount of revenue based on a certain cost of power

there is a certain definite figure, but if you sell 100,000 horse power, 10,000 horse power more, your revenue at that same rate has gone up ten percent; therefore you could cut your rates by ten percent.

THE CHAIRMAN: Q. That is what Mr. Spence means, if you were able to sell all the available power there coming from Nipigon you could decrease the rate?

A. Yes. But that is an intermittent situation, remember, because just the minute you get up to that stage then you must put in a new plant.

Some day our troubles will be over because we will have substantial reserves to tide over that financial shock that comes as a result of putting in new investment.

MR. SPENCE: Q. Has the system there as it affects Fort William and Port Arthur reached or nearly reached that stage?

A. If the Lake Sulphite mill goes in operation, or even if the mills in the district go up to full capacity, I would say to-day that we have not any spare capacity there at all; we have got to immediately think of an additional development up the river.

MR. DREW: Q. You have to immediately think of what?

A. Of an additional development on the Nipigon River|.

Q. And that is available I suppose?

A. Yes. There is a very nice, very cheap development of good capacity, one hundred thousand to one hundred and twenty thousand horse power, sufficient to double the capacity of the system, at Pine Portage, and at very reasonable capital cost. That will complete the development on the river.

MR. SPENCE: Q. The Lake Sulphite mill you speak of, Doctor, what was their contract with you when they were running?

A. There was never any contract signed. I think that was based on the use of 5,000 horse power.

As I say, we are getting pretty nearly the limit, because I think our peak load last month was something of the order of 92,000 horse power, and that doesn't leave very much capacity; I think that the capacity of the system is 123,000 or 125,000 horse power, but actually that is based on the use of every bit of equipment. Actually the system is not good for more than about 110,000 horse power in safety, that is for long continued use, so we are getting very close to that limit.

MR. DREW: Q. Dr. Hogg, there is one side of this that may have no bearing on the question of cost at all but I want to ask the question because I don't understand the situation in the production of electrical power: In many industries if you reduce cost to a point where that industry can greatly increase

its general production a reduction below what might be normal cost at the out-set may show a profit through the increased volume of production. I have in mind the fact that in normal times we are in competition with world markets, we are in competition with cheaper power in the Baltic countries and elsewhere, and I have no idea as to whether or not the reduction of power to an extent that would make it possible for mills to increase their sales in world markets might in turn sufficiently reduce the average cost of power to make that move a practical possibility.

Is my question clear?

A. Yes, I think I see it.

I of course am not an expert on this question of newsprint manufacture, I am not sure of the power they need per ton. My guess is though that \$17 a horse power to those mills in Port Arthur and Fort William means a cost of about \$4 per ton of production. If you cut the rate in two you only cut \$2 a ton from the cost of newsprint, and, while I agree that lower costs are desirable, I don't believe that it is the one essential. I think that we are doing a pretty good job in giving them \$17.

HON. MR. NIXON: Q. Do you know how that compares with the price that mills pay for power in Quebec?

A. I can't say that. I think perhaps some of them may have long term contracts that are better than those rates, but I wouldn't be too sure.

Q. I think the evidence given here was that it was fairly comparable?

A. Yes, that is my judgment, that it is comparable. From the long range view, looking ahead, I don't think that they are in any better position from the standpoint of cost of power than we are here in Ontario.

MR. COOPER: Q. One of the witnesses swore, if I remember correctly, that there was a long term contract at \$13 a horse power?

A. In Quebec?

Q. Yes?

A. Well now, we have long term contracts here in Ontario of various types. In connection with the Ontario Paper they are much below that. That was made in the early days of the Ontario Power Company at Thorold. But some day those contracts will run out and I question whether they can be implemented for the future at those rates.

THE CHAIRMAN: Q. We had evidence, I think the day before yesterday, to the effect that power amounted to from twelve to fifteen percent of the cost of the finished product. If you were to reduce your rates by, as you say, fifty percent, the actual reduction would be only from six to seven and a half percent of the cost of the finished product?

A. Well, I was thinking, you see, if my estimate is correct of \$4 a ton production cost with \$17 power, then—

Q. If you will allow me, Dr. Hogg, Mr. Vining said this at page 1827 of the record, yesterday:

“So far as power is concerned, Colonel Drew, the figures range from slightly under \$4 per ton of newsprint—this is at sixty percent operation, approximately our present level—taking all companies in Canada, power costs would range, in one or two special cases they are as low as \$4 or a few cents per ton, to about \$8, and I should say that a typical case, taking the industry as a whole, would be between five and six dollars per ton of newsprint at sixty percent operation.”

A. Well then, I think in the case of Port Arthur and Fort William you are well below the average.

MR. SPENCE: Q. Have you in view yourself that that rate could be much less?

A. Yes, it could be reduced.

Q. As the power development is paid for by the two cities?

A. Yes. As the capital is retired and as the cities of Port Arthur and Fort William expand and their loads grow the costs go down.

THE CHAIRMAN: Q. Allow me to put it to you this way, Dr. Hogg: You said the rated capacity in your Nipigon plant is 125,000 horse power?

A. That is our capacity.

Q. Is it possible to make contracts for more than 110,000 horse power from the point of view of operation?

A. Yes, you could, because of the question of diversity; they are not all at the same time, so you can run your contracts well up beyond that point and depend on the diversity to hold your peak load down, but if we came to the point where all our load charts were so that we were up to 110,000 horse power then I think we would have to go ahead with a new development.

Q. Suppose you reach that point, would that mean an appreciable difference in the cost of power? Would that mean a further decrease in the cost of power over what it is now?

A. We would have to have some new commitments for power or we would hesitate about going ahead with the Pine Portage development, and supposing there was in sight an appreciable increase then we would proceed with the development. I suppose that development would cost initially perhaps three and a half to four million dollars investment.

MR. COOPER: Q. How much power can you get at Pine Falls?

A. 100,000 to 120,000 horse power additional. But you wouldn't install the full capacity at once, you would start with perhaps twenty-five or thirty thousand horse power, perhaps three million or three and a half million investment. Now in order that the carrying charges would not cause a shock or a change in the rate structure immediately what we normally would do would be to defer sinking fund for a period of five years while the rate is building up.

THE CHAIRMAN: Q. I haven't got as far as that yet, Dr. Hogg. Suppose you were able to-morrow to sell another 15,000 horse power in the Nipigon system would that materially decrease the existing rates?

A. Yes, that would mean something of the order of \$300,000 a year additional revenue and that would, subject to certain qualifications, I would say decrease the base rate about from probably two to three dollars a horse power.

MR. DREW: Q. That would be very important?

A. Yes.

Q. And that really comes back to the question I was originally asking you, where you haven't yet reached capacity a reduction which in turn might be reasonably expected to produce a favourable cost so that sales could be increased might easily be beneficial to the Hydro-Electric System as well as to the industry?

A. Oh, yes. I didn't quite see your point before. That is quite true.

THE CHAIRMAN: Q. But in the meantime the system would show a loss and someone would have to pay for that loss?

A. Yes.

Q. And that someone I suppose would be the Government?

A. No, sir. There is not much chance of getting the Government to help us out, we have got to paddle our own canoe.

MR. COOPER: Q. Who does take up the slack actually—the Hydro?

A. You mean in these periods of depression?

Q. Yes?

A. The Hydro as trustee for the municipalities, yes, and as trustees for the Government as the guarantors of the funds, and with their accumulated reserves they do take care of it.

Q. The power user pays in the long run though, Doctor?

A. Well, not the newsprint power user—he has been handled pretty gently.

THE CHAIRMAN: Q. Let us put it this way, Dr. Hogg: Supposing to-

morrow you reduced the price of power by \$2 a horse power in the hope of increasing the demand and increasing the output of the newsprint industry, let us say, if there was no increase in the industry then you would lose money, you wouldn't be able to maintain your reserve?

A. Finally, yes.

Q. That would be the result?

A. Yes. But that is not a difficulty now. I grant you that if you made a cut and your rate expanded by other new mills or mills going on to full capacity or mills operating seven days a week instead of three days they are operating to-day that would mean increased revenue and would mean lower cost, we would probably get through without loss, but immediately the bad times come the newsprint companies fold up and we are left struggling along with the increased costs and decreased revenue and with the inability to collect from these newsprint companies in times of depression. I mean they object to paying stand-by charges and all the rest of it, and perhaps with a good deal of justice.

HON. MR. NIXON: Q. Doesn't Mr. Clarkson's Abitibi mill in Port Arthur buy its power from the municipality and not from you direct?

A. Yes.

Q. That was his complaint here the other day, that he buys through the municipality, whereas the other companies buy from you at a preferred rate?

A. Don't put this on the record: (A brief discussion ensued, off the record.)

MR. SPENCE: Q. How much would our system up there stand—you wouldn't want to take very much more than five thousand out of a pulp mill in addition to what you have?

A. Of course you have the most wonderful river in the world, there is not anything that compares with the Nipigon River for the ability to carry a heavy steady load. You have a storage there that will carry over periods of from five to ten years of bad water conditions, there is not anything that compares to that that I know of in any other part of the world, the most uniformly regulated river in the world, and of course that means that it is particularly adapted for pulp and paper company load which is a constantly high load factor use. The same thing applies to mining load because they have approximately the same type of load factor.

HON. MR. HEENAN: Q. Well then, Doctor, according to your statement a mill located close to the point of power development should get and will get a reduction over and above the mill that is located at Fort William and Port Arthur?

A. Yes. The cost is less, therefore it can be reflected in lower rates.

Q. And the city of Port Arthur would not get any benefit from that?

A. No.

Q. That might account—I am not asking you to make the statement, but I make it—that might account for the Mayor of Port Arthur saying that mills shouldn't be built out in the wilderness, they should be built at Port Arthur, and therefore they are always in the wrong place if they are not at Port Arthur?

A. You know the Mayor of Port Arthur took the stand we shouldn't have gone ahead with the Camp Alexander development of sixty horse power, he repeated the statement recently that that is a plant that never should have been built, in which case we would not have the fifty thousand horse power we are taking away from that plant for use to-day.

Q. You should have got his O.K. on that first?

A. Well, I thought we did, but he changes his mind.

MR. DREW: Q. Well, Dr. Hogg, again don't answer the question if it raises any point that might create difficulties in relation to the Hydro, but if you can answer it I would like it on record. I would gather from your evidence that if there were a round table discussion of the whole problem of co-ordinating all the different types of activity connected with the ultimate production of newsprint and pulp that there may be some possibility that ways and means could be devised of lowering the cost?

A. I believe that is true. I think that is a proper method of attack. It would be a question of give and take.

This is not for the record: (Further discussion on this subject, off the record.)

Mind you, I think that there is a limit, as I think I made clear, that \$4 a horse power is the power cost of a ton of newsprint, and the impossibility of visualizing costs below \$12 a horse power. They talk of costs in Norway down as low as \$7 a horse power. I think there may be something wrong with those figures because that looks pretty low to me. It would be possible, however, I would say, to get down to something of the order of \$10 a horse power but in this country it looks impossible to secure this reduction yet. If you did get down to \$8 a horse power, half of \$17, you have only cut \$2 a ton from the cost of your newsprint and \$2 a ton would not appear to me to be the final crux as to whether the newsprint companies of Port Arthur were going to fold up or not.

Q. There is an old saying that many mickles make a muckle?

A. Yes. I grant you that.

Q. And the suggestion is that there may be also ways in which reductions can be effected in freight rates and other special rates connected with this industry which combined might give us a more favourable competitive position?

A. Yes.

Q. After all I think we will both agree in most industries there is a critical cost point beyond which even a few cents may make a great difference in selling in a world market?

A. Yes. And I do want to assure you as far as the Commission are concerned we are quite prepared at any time to canvass the situation and to sit down with the newsprint users or with any other body to see whether these costs can be reduced.

Q. Then I will just refer to one further thing in connection with that: You say there is a \$1 a horse power rental. To whom is that rental paid?

A. That is paid to the Provincial Government. I think the lease reads "generated and sold"—a dollar a horse power generated and sold. That is an annual rental that we pay to the Provincial Government.

Q. Universally throughout the whole system?

A. Yes. Well no, the rentals at Niagara run less than that, I think about sixty-five cents a horse power, but the standard rental in the north country or other Crown leases is \$1 a horse power. It is subject to this qualification, that in the early stages of development it is fifty cents a horse power, that is until you get up to sixty percent of the capacity of the plant, and then it becomes a dollar a horse power.

Q. You might explain upon what basis or how it is arrived at?

A. The measurements are taken in the power houses of the output, they are kept from day to day and month to month and then they are balanced up at the end of the year, the amount of power that has gone out from that station averaged up, and we pay the Government a dollar a horse power for it.

Q. Dr. Hogg, unless there is any other point, having regard to the extent to which you have been following this evidence, that you would care to raise in connection with this question of costs I will pass on to something else. Is there anything else?

A. No, I don't think so.

Q. Well then, I would like to refer to the work that has been done by the Hydro-Electric Commission in connection with a power development that is also available for the Pulpwood Supply Company for floating out logs. Have you your file in connection with that matter here?

A. I don't believe I have. I didn't bring any files along, except that I asked Mr. Jeffrey to bring some of the power costs with him. I will be glad to speak from memory.

Q. Is that work completed yet?

A. Yes.

Q. Fully completed?

A. Yes. There may be a little clean-up of the river, not material, I think that it is entirely completed now.

Q. Do you know the total cost yet?

A. I wouldn't like to say to the nearest dollar but I believe it is something of the order of \$1,280,000; that is within a few thousand dollars of \$1,280,000.

Q. What part of that is allocated to the costs payable by the Pulpwood Supply Company?

A. I couldn't say, sir. I don't know what the deal is with Pulpwood Supply.

Q. Is there any arrangement by which the Hydro-Electric Commission is reimbursed part of that cost from the Government?

A. Yes. As a matter of fact the Government is carrying all at the present time, carrying all of the charges until such time as it is put in use.

Q. Well, is there any arrangement as to what is to be done?

A. Afterward, you mean?

Q. Yes?

A. Yes. Finally a proportion of that charge will go against the Niagara system for the use of the water at Niagara, part of it I presume will be charged against the possible power development on the river itself because there is a capacity of some 20,000 horse power above Schrieber, that will take its share of the investment, and then the Government will take its share for the purposes of the discharge of pulpwood down the river.

Q. Is there any definite basis worked out yet as to the amount that the Hydro is to share and the amount the Government will share?

A. My recollection is that the Government were to finally, when the split was made, put up some \$400,000 and the balance of the cost was to be carried by the power use in one form or another either on the river or at Niagara.

This was a little ahead of my time with the Commission, it predates my chairmanship of the Commission, but that is my recollection.

Q. Have you any immediate plans for the use of that development for power purposes?

A. Well, we have written it into the St. Lawrence Treaty and if the Treaty goes through and is implemented in the States I presume we will use it immediately—just at Niagara. There is no move except very tentative moves for development of the river itself, that is in the Aquasabon River, we have made some tentative estimates of developments there.

Q. I have in mind any power production right in that area?

A. Oh! We have considered the possibility of putting in something of the

order of 20,000 horse power close to Schrieber, it will be a little north of Schrieber; there is a very good possibility there for 20,000 horse power. We did consider the possibility of building a line up to the mining area and tapping on the Thunder Bay system at that point in the neighbourhood of Little Long Lac.

Q. What I really had in mind in asking the question was this: I may be wrong in my understanding of the situation, but I was under the impression that the only justification for the type of work that was done there was the expectation of putting some power development right in that area?

A. Oh no, not from my standpoint; I don't know what someone else may have had in his mind, but certainly the justification from the Commission's standpoint is the use of that water at Niagara, that is the real issue, and, by the way, when you say did we consider development in the area my remarks are of course subject to the fact that we couldn't use any development in the area until it is legalized by international agreement.

Q. That is quite so?

A. Because there is nothing to prevent the water going in. I don't think there would be any objection on the part of any international body to the water going in, but unless we have an agreement that it would be reserved for Ontario use we would be foolish to put it in until we have secured that agreement, because it is Ontario water.

Q. As I understood it you just said that the purpose so far as the Hydro-Electric Commission was concerned was to make that water available at Niagara?

A. Yes.

Q. Was construction of this nature necessary for that purpose?

A. Yes. I doubt very much whether there is any work entailed by reason of the log driving which would not have been rendered necessary by the diversion of water. Now that is not absolutely true because there is a certain clean-up of the river, the removal of debris and muskeg and that sort of thing for the discharge of logs down the river that would not have been necessary unless it was desirable to pass those logs down, but the difference in the cost is not very material.

The point I want to make is, it would cost almost the same amount regardless of log driving.

Q. Do I understand this then, that to give the log driving that was required there would have cost approximately this amount in any event?

A. No no, that is not true. The reverse. That is, if you were going to put in log driving alone then you could have put—I have forgotten what they call it—an incline—

HON. MR. HEENAN: A flume?

WITNESS: Not a flume, but so you could have lifted the logs up over the height of land.

MR. COOPER: A jack ladder?

WITNESS: A jack ladder. Brought them up and then discharged them in the Aquasabon and on through; now that could have been done at a very much reduced cost; it wouldn't be quite so good from an operating standpoint but it could have been done.

MR. DREW: Q. But so far as floating the logs out is concerned could a cheaper method have been devised than this?

A. Yes.

Q. Just floating them?

A. Well, by cutting a channel through. I suppose if you were handling that thing entirely from the standpoint of a logging operation you could have saved some money. Personally, I don't like that way of doing things though, I mean from the standpoint of stability, but it would have been possible to have used timber construction instead of concrete.

Q. Was this recommended by the Hydro-Electric Commission?

A. Well, you would have to go back some distance. I have forgotten when this first came up. I think it was back perhaps around about in 1926, many years ago anyway, when I had occasion to make surveys for the Long Lac diversion and for the Algonqui diversion to determine what was possible and with the idea primarily of securing additional water at Niagara. From that time on intermittently it has been brought up until, I don't know whether it was in '37-'36 or '37- the previous Commission decided to proceed in conjunction with the Department of Lands and Forests.

Q. Well, if no agreement were signed would this water be utilized?

A. If no agreement were signed? At Niagara?

Q. No treaty?

A. If no treaty were signed?

Q. Yes?

A. Well, it is tied in at the moment with the St. Lawrence Treaty by the United States interests. They are not prepared to proceed with the St. Lawrence without tying in the whole Niagara situation on this question of diversion. If the treaty failed of passing then it would seem to me that we could revert back to the Niagara situation and approach it separately, but you cannot at the moment, it is tied in tightly with that St. Lawrence situation.

Q. The water is not being used now?

A. No. There is no diversion being made. I think they drove some lakes last year—just an intermittent drive—and the water is cut off. What we had in mind, of course, was a continuous flow of water from Long Lac.

Q. What is necessary to make that continuous?

A. Just open the logs from the dam.

Q. That is all that is necessary?

A. Yes.

Q. And then there is a sufficient head of water to permit continuous flow?

A. Yes. There is a dam at the lower end,—on the north end of Long Lac—which when closed raises the level and then discharges south towards Lake Superior. At the moment the south dam is closed and the water is flowing to the north in its normal course.

HON. MR. NIXON: Q. And you require no alteration in the canal if the entire diversion is completed?

A. No, except to clean up. You cannot change the whole landscape by changing the flow of the river without doing a certain amount of damage or at least having to do certain repairs from time to time. I would expect there would be minor conditions arise; little blockages of timber and that sort of thing.

MR. DREW: Q. I understand at the moment the whole concern with this development is the water which will be available for the system?

A. Yes, there is some interest locally. 20,000 horse power will be available some day but at the moment we are not interested.

THE CHAIRMAN: That is all unless some other member of the Committee has further questions to ask.

MR. SPENCE: Q. Do you know the amount of water?

A. It is about 1,200 cubic feet per second. It is a matter of 35,000 horse power if we use it in the Queenston Development under the maximum head, and under the 200 foot head north of Schreiber it is something around 20,000 or 25,000 horse power. It means something at the Soo as well. Of course the head there is very limited, but I should think it would be something like 3,000 horsepower additional.

HON. MR. NIXON: Q. You might be very interested in reading two pages of Mr. Clarkson's evidence where he makes reference to Port Arthur. He complains when they are not using power they have to pay?

A. Well, that is the difficulty, that fixed charges on plants run on regardless of whether the power is used or whether it is not. We have endeavoured to

solve that situation by attempting to arrive at a compromise with them so the plants would not be too badly hit.

Q. You will notice that he drew to our attention the difference in the contract direct with the Commission enjoyed by the Great Lakes and the one he has to carry through the municipality?

A. I think perhaps what he says is sound. The fact it goes through Port Arthur and the fact that the load is sold through Port Arthur means that Port Arthur makes something out of that contract, but he is assuming, of course, that if Port Arthur did not make it, or if the contract were direct with us, it would be reflected in lower rates to the company.

That does not necessarily follow, because Port Arthur is setting up certain reserves because they are selling that block of power. If we were selling it we, in turn, would be setting up the reserves. So, it is questionable about whether it would be reflected in lower rates to the mill. He is thinking of it only from the angle of the mill.

Q. I have no further questions.

HON. MR. HEENAN: I have one or two.

Q. I understand that you have behind the Long Lac diversion about 1,500 square miles of drainage area?

A. Yes.

Q. Do you consider that is a fairly dependable flow?

A. Very, very good. It depends on what you mean by "Dependable flow". As you know, the flow varies during the year.

Q. What I mean is that one could likely open the gates and the water would run out in five minutes and you would not have any?

A. No, there is a steady inflow. Long Lac is a very large long lake with very considerable storage capacity and you have the ability to pull on that lake to equalize the flow.

Q. The statement is made here that after you float the logs out you would not have enough water left to run a sewing machine.

A. I think that is rather far-fetched.

THE CHAIRMAN: You mean it is a slight exaggeration.

WITNESS: It is a slight exaggeration.

HON. MR. NIXON: At least an understatement as far as the water is concerned.

WITNESS: It is true in the spring the flow might rise to perhaps 2,000. I think, as I remember it, the limit we put on the capacity of the canal is 2,000.

MR. DREW: 2,000 what?

WITNESS: It would rise up to 2,000 when the spring pressure is on and later on in the season it might drop down to 800 or 1,000. That is that range.

HON. MR. NIXON: Q. You have an 80 mile lake for storage purposes?

A. Yes, and the general inflow is very good in that area.

MR. SPENCE: Q. That is one of the sources of the Ogoki River?

A. No, sir. The Ogoki is north of Nipigon. This is east of Nipigon and it has no relation to the Ogoki area. The Ogoki comes in at least one hundred miles north of the north end of Lake Nipigon.

Q. Does the water from this not flow out of there?

A. Yes, and eventually goes into the Albany River, by cutting off the Kenogami River. When that is cut off it obstructs that amount from the north stream which the Ogoki flows into.

Q. There is no water from the north which goes into Long Lac at all; it is all local?

A. Yes.

Q. If you dam it up at the other end it makes it run up hill?

A. Yes. There is a river which runs in from the Little Long Lac area just above the diversion dam which we put in on the Kenogami River and by the dam the Little Long Lac area is all backed up and goes into Long Lac proper.

MR. DREW: Q. How much additional flow would that actually create at Niagara? Can that be estimated?

A. Yes, absolutely. Whatever goes into Lake Superior will be available at Niagara.

Q. What evaporation is there?

A. The evaporation depends on water area; it is not dependent on flow at all. In other words, supposing where Lake Superior, Lake Huron and Lake Erie as they exist to-day have a flow of only 100,000 second feet at Niagara, you get a certain evaporation for that area. Now, bring the flow at Niagara up to 300,000 second feet, you do not change the evaporation at all, because it has the same area, the same pans and the same loss of water occurs, so therefore whatever you put into Lake Superior will be available. The United States Government recognizes that, because it says whatever goes in at that point

will be available at Niagara. It will be measured at that point and be available at Niagara.

Q. Is it affected at all by the withdrawal of water by the Chicago drainage canal?

A. No, sir; they are an entirely separate addition which passes from Lake Superior via the Lake Michigan channel, but I cannot say that it has anything to do with respect to that situation at all.

Q. What I had in mind was that possibly an increase in water level through additional water might have automatically produced an increased flow in the drainage canal?

A. I think that is a question of opening gates, not so much a matter of level. Otherwise, if you had Lake Michigan at its flood level you would have a tremendous flow down the drainage canal, which is not true; they have gates and only allow a certain amount through, so it will not affect that at all.

Q. I have one further question: It has been said that the Lake Sulphite Mill may be put into operation. At the present time is power available for that?

A. Yes, there is sufficient at the moment, but the remark I made is that if the Lake Sulphite did go into operation that it brings the time closer when we must proceed with new developments on the river?

Q. That is what I had in mind. The power demand of the Lake Sulphite will not in itself create the necessity for that?

A. No; there is still 20,000 horse power surplus capacity.

MR. OLIVER: Q. Lake Sulphite is about 5,000?

A. Yes.

MR. COOPER: Q. I would like to read from the evidence of Mr. Cox at page 796:

"The volume of water which will be required to take the wood out of that river will come down there at such a rate that the erosion and tearing away of those banks will make that stream larger and larger year by year and without having enormous amounts of money being spent for revetment walls you will find that will be an impractical drive—and I think I know something about driving."

What is your opinion as to that? That is, referring to Long Lac?

A. I would say it is a gross exaggeration of the facts.

Q. Further on the same witness was asked by Mr. Drew:

"If the erosion from fast-running water will be as great as that, is it

not going to have, or is it not likely to have, a very considerable effect on the power factors available from the point of view of the Hydro-Electric power which can be developed there, or do you care to express an opinion on that?

A. My own personal opinion is that when you finally drive the amount of wood out of that lake which they contemplate driving, there will not be enough water left to make power enough to drive a washing machine."

What do you think about that?

MR. DREW: We are one up from the sewing machine.

THE WITNESS: Well, if you use the 1,200 second feet for the purpose of flushing the logs down through, there would not be any left for power, but on the other hand if you have to draw logs out and use some mechanical method for getting them by the power house, you would not need any.

Q. Is there anything serious in the argument that the force of the water is going to widen out the river and spoil the flow?

A. There is a series of lakes down there and the power development is only at the lower end where it breaks over the steep escarpment into Lake Superior.

HON. MR. NIXON: Q. A solid rock escarpment?

A. Yes. Granted, in the upper part where it passes through these little lakes where before there was just a little trickle, to-day we are going to put 1,200 second feet through and the banks are going to break back, undoubtedly.

MR. DREW: Q. Will that affect the flow of the water at all?

A. No. There might be a little pile-up and little local dams which they build out and break through, and piles of logs which must be moved, but that is true of every river in the north country.

MR. W. G. NIXON: Q. There would not be any unusual erosion there?

A. No, sir.

Q. As compared with other rivers?

A. No.

Q. It would be a similar situation?

A. Yes.

MR. COOPER: Q. The driving of logs, of course, does not affect the flow of the water for power development?

A. No, only to the extent that you use that water for driving purposes,

but I am saying that if the power were valuable to the extent you would not use any water for driving the logs by your power house. You would lift them out mechanically and take them down mechanically. It is done in some places, but if it were cheaper to do it the other way you might take a certain amount of the water, put it into your flumes and let the water go.

Q. That is all.

THE CHAIRMAN: Before we adjourn, I received a telegram from Mr. F. G. Robinson, who gave evidence here yesterday, which reads as follows:

"Referring to evidence which I gave before the Lands and Forests Committee yesterday, I note that a Toronto morning newspaper contained report under heading 'Pulp Official Rebukes Drew at Conference'. I wish to emphasize that nothing I said was intended to convey any such attitude on my part towards Colonel Drew or any other member of your Committee stop I found all members of your Committee constructive in their questions and regret if any different impression has been created stop Would appreciate you have this message given to the Committee and Press and include it in your record of proceedings. (Signed)

F. G. ROBINSON,
President, Canadian Pulp and Paper Association."

The Committee will now meet in private.

(The further proceedings of this Committee were adjourned until Monday, May 6th, 1940, at 10.30 a.m.)

THIRTY-FIRST SITTING

Parliament Buildings,
Monday, May 6th, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

THE CHAIRMAN: Order, please, gentlemen.

Colonel Jones is here, I understand. Will you come and sit here, Colonel, please?

C. H. L. JONES, called:

THE CHAIRMAN: You are president of Price Brothers, Limited, Colonel Jones?

A. Yes, and also of the Mersey Paper Co.

Q. That is in New Brunswick, is it?

A. No, Nova Scotia.

THE CHAIRMAN: You were called here at the suggestion of Colonel Drew, Mr. Jones, so I will let the Colonel proceed with any questions he may want to ask you.

MR. DREW: Q. Colonel Jones, as I understand it, Price Brothers Limited are one of the companies affected by the present attempt at prorating that has been carried out by the Committee that has been set up by the two provinces, Ontario and Quebec?

A. Yes, that is right.

Q. Where are the mills of Price Brothers situated, just as a matter of record?

A. You are referring to paper mills?

Q. The paper mills, yes.

A. Kewagama, River Bend, and Jonquiere.

Q. They are all in the Lake St. John District?

A. Those are,—so-called.

Q. And have you pulpmills as well?

A. No, just those three. We have sawmills on the south shore.

THE CHAIRMAN: Q. Would you mind giving us the capacity of those three paper mills, Mr. Jones?

A. Their full capacity?

Q. Yes.

A. In addition to newsprint, we make fine papers at Jonquiere. The capacity of those two mills is roughly about 1,150 tons a day or newsprint, at Kewagama and River Bend.

Q. And what about Jonquiere?

A. We manufacture only fine papers at Jonquiere, and it depends upon the quality of fine paper you are making as to the quantity that you get. If we are making up the fine paper, we are making up to 70 tons a day.

Q. But, as far as newsprint is concerned, you have only two mills, Kewagama and River Bend, with a total capacity of 1,150 tons a day?

A. Yes.

MR. DREW: Q. Jonquiere would not come within the prorating?

A. No.

THE CHAIRMAN: Where are the sawmills on the south shore?

A. Rimouski, Price and Matane.

Q. And you also mentioned that you were president of the Mersey Paper Company?

A. Yes.

Q. You say they have a mill in Nova Scotia, is that a newsprint mill?

A. Yes.

Q. Is that controlled by Price Brothers?

A. No, they have nothing to do with it. It is absolutely independent. Some of the financial people in Price Brothers are in the Mersey Company too. But they are absolutely separate boards, and all that sort of thing.

MR. COOPER: Are they in the proration scheme also?

A. They are partly in and partly out of it.

Q. What do you mean by that?

A. Instead of giving up tons, they give up dollars.

THE CHAIRMAN: What do you mean by that?—I do not understand that.

A. They contribute so much money, and that money goes to another mill in lieu of tonnage. In other words they get a money profit which we contribute, instead of their making the paper themselves.

Q. What is the capacity of that Mersey mill?

A. Roughly 350 tons a day.

HON. MR. HEENAN: Q. You say the Mersey contributes the money?

A. Yes.

MR. DREW: Q. Colonel Jones, are any of the other mills in Nova Scotia under any prorating arrangement of this kind?

A. The Mersey mill is the only mill there.

THE CHAIRMAN: There are no other mills there?

A. No.

MR. DREW: Q. Colonel Jones, one of the questions which has been under discussion a great deal is a broad question of prorating, and the desirability of setting up some machinery for prorating the newsprint production between the two provinces, some system of prorating the production of the newsprint mills in the two provinces of Quebec and Ontario. We have placed on record here a recommendation or a report made by Mr. Vining, on behalf of the committee set up to do this work, which was prepared at the request of Mr. Cote of the Quebec Government.

A. I am familiar with that document.

Q. You are aware, then, of certain recommendations which are made in Mr. Vining's report?

A. Yes.

Q. It would appear, then, that this Committee must, in reaching conclusions, express some opinion on this general subject, in so far as it comes within the scope of the Department of Lands and Forests of this province; and for that reason questions have been asked as to the effectiveness of the method and the desirability of devising some new method. It has been suggested that it would be desirable to have some interprovincial board or commission, with legislation giving it power to enforce its regulations, and there have been various ideas expressed in regard to that by presidents of other companies and by officials as well. Would you care to express your opinion as to the method which you consider most desirable, if, of course, you first consider that proration is desirable. And I will ask you: Do you believe that it is desirable to continue the method of proration?

A. I would say, yes.

Q. Well, if that is your opinion, will you explain to us how best you think proration could be carried out?

A. Of course the state of business where proration is not necessary is the best state of business; you are free to act based on your experience of carrying on business in an unfettered way. There is nothing to equal that, in my opinion.

Now, what happened was that too many paper mills were built. That is all. We all know that too many were built; and the supply and demand were out of step. The result brought on a very unhealthy condition in the paper trade,—practically three-quarters of the companies and the tonnage were under the direction of the sheriff. Now, that is the worst possible shape that you could have it in. It is just like a person deciding to have an operation. He does not like operations, but he has an operation to cure him of something. That is what took place in the newsprint business in Canada. It had to take place. And certainly the present state of affairs, although it is not carried out as fully as it should be, represents the best control that we have ever had in newsprint.

Those of us who took part in the direction and deliberations of the Association can give you all kinds of evidence on that point.

I do not like proration, but I say it is the only thing that we can do.

Q. As it may actually in some way tie in with the discussion of this subject, which doubtless will be discussed publicly a good deal before the decision is reached, I make that comment because I see the Press already is discussing it a good deal.—would you agree with me that it would be wise for a good deal of caution to be exercised at the present time in regard to these stories of war demands absorbing our capacity of production?

A. Of course a great many remarks have been made, but that is inherent to the newsprint business, because we sell our product to the Fourth Estate; and naturally they want to buy our product as cheaply as possible. And we have had a lot of advertising in connection with our business, because just of that point that the people who buy from us own the papers. And every now and again some particularly wild statement is made.

Q. What I am referring to particularly is this: In Mr. Vining's report he pointed out that back in 1935 and 1936 the people connected with the industry realized that it was necessary to do something to bring some measure of order out of the chaos that existed?

A. Yes.

Q. Then, because of the temporary appearance of prosperity in 1937, the cure was delayed. And now there seems to be some idea growing that because of the limitation of export from the Scandinavian countries, we are likely to see the situation taken care of by that simple fact. I notice, for instance, that a good deal of attention was paid to a statement that Great Britain was buying 200,000 tons of newsprint in Canada during the coming year, and that in itself was mentioned as indicative of the general improvement there would be in the business here. But, as I actually understand it, they bought 176,000 tons this year, which only means 24,000 tons additional, which your mills would only be about four days in making with their additional capacity?

A. That is all.

Q. What I am asking you,—and you can confirm or disagree with it,—is this: Whether it is wise that there should be any temporary delay in the cure that is necessary?

A. I would agree with that, and I would go a little farther. The same cause brought back into the picture which troubled us in the past, can bring about the same state of affairs that you referred to in 1935 and so on. The same things can bring about the chaotic state that existed then; only it would probably be a lot worse this time, because a lot of those companies were reorganized, and you cannot keep on reorganizing them forever.

Q. Without reflecting upon the industry with which you are connected, I think you will agree that this industry has been greatly bedevilled by financial operations of one kind and another?

A. I agree with that.

Q. And now, you agree, is a good time to exercise caution, because of a temporary movement?

A. I decidedly agree with that.

THE CHAIRMAN: Q. Colonel Jones, you might give me this information: You referred a moment ago to the fact that some people overbuilt newsprint mills,—that took place between 1925 and 1929, or around that time?

A. Yes, about that. I will go a little farther than that. Comeau Bay went into operation in 1938,—that is the last one.

Q. But could you give us,—it may be unfair to ask you this question,—the number of mills and the rate of capacity of those mills which were built around that time during the boom period?

A. That is quite a chore.

Q. As I say, it may be unfair, because you may not have the information?

A. By concentrating, I could tell you where they are. We will start at the Pacific Coast. Those mills on the Pacific Coast were partially built before the period that you mentioned. They were added to, you see. Some of them were new mills and some of them were extensions to the older mills; but it culminated really in 1929. The Comeau Bay mill was the only one built after that period.

Then we come through,—I built most of these mills or a lot of them that I will tell you about, myself. I come to Manitoba, and there is an about 300-ton mill there. Now come to Fort William and Port Arthur, where a great deal of activity took place. The Great Lakes Mill; the Fort William Paper Company; the Thunder Bay. They are all newsprint mills. Then there was the Spruce Falls Mill, built up on the main line of the Canadian National.

Now, coming back to Sault Ste. Marie, that mill was built prior to the date you mentioned, but it was extended and made to produce more paper.

Then at Espanola, we have a six machine mill there.

MR. DREW: Q. When was that built?

A. That was started in 1910. It was only started as a two-machine mill, and afterwards it extended, and they put four extra machines in there.

Then, of course, there is the large Abitibi mill which started about 1910 again, and was constantly added to.

THE CHAIRMAN: You mean at Iroquois Falls?

A. Yes, it was constantly added to.

Then the Sturgeon Falls Mill was a three-machine mill built in 1903, I think it was, the Imperial Paper Mill, and it was turned into a newsprint mill and another machine added.

Then, coming into the Ottawa section, we have the big Gatineau mill, and Booth's and Eddy's.

Then we skip to Three Rivers, where we have a great concentration of mills in that sector. We have the International Paper Company with eight machines in one mill there; we have the Belleville, with six machines,—I am not sure how many of those are on newsprint. Then we have the old St. Maurice mill, which has not turned a wheel for ten years.

Then there is the grandfather of all these mills, the little old mill of the old Laurentide Company of Grand Mere.

MR. DREW: That is still operating?

A. Oh, yes. They operate sometimes on different products than newsprint.

Then, going farther down into the Province of Quebec, we have the Price Brothers mills that I have told you about, added to.

The Kewagama Mill there was the original mill; then they put in the fourth machine in the mill at River Bend.

Then one of the latest mills is the Ste. Anne mill of the Abitibi Company, at Ste. Anne de Beaupre.

Q. When was that built?

A. In 1926 at Ste. Anne de Beaupre.

Then at Murray Bay you have two that were built at the same time; at 1927 they commenced to make paper.

THE CHAIRMAN: Q. Did you say two mills there?

A. No, one, Donovan's. Then you cross over to the other side of the river and you find the International mill at Dalhousie.

Then going into the Province of Nova Scotia, the Mersey Mill.

That covers your question. I do not think I have left anything out.

HON. MR. HEENAN: The Port Arthur?

A. Yes, Port Arthur was made into a newsprint mill —

Q. About 1927.

A. In there, around 1926 or 1927.

THE CHAIRMAN: I think the International Paper, or is it the Consolidated Paper, has a mill at Kaplan?

A. That is the St. Maurice,—I have mentioned it.

MR. DREW: Colonel Jones, in Mr. Vining's submission to the Quebec Government he has one part devoted to the exemption of so-called publishers' mills?

A. Yes.

Q. What is your opinion in regard to that?

A. Of course, if you look up the definition of prorating in the dictionary, it means proration of all that exists; and I suppose that is what we talk about when we deal with Quebec and Ontario. There should be no exemptions, in my opinion.

Q. You know the arguments that are used pro and con?

A. Oh, yes.

Q. At the present time there are arguments and arguments on this subject. Would you care to amplify your statement at all?

A. Very definitely they should make their contribution to the social state that exists. That is what we are doing in the other companies, we are making a definite contribution to the social state. For instance, we carried 380 men extra up in the Lake St. John district outside of men who were cutting in the forest, just so that the people would have a job and would not be on the dole; and what business we had we divided it up in that way. That is making a direct contribution to the social state. We would be able to give more work to those men. What they got was a very thin, small pay cheque; but it was better than nothing.

THE CHAIRMAN: You talk of Lake St. John. The Price family have been connected with that region for practically over a hundred years?

A. Yes, the William Price family have been connected there for about 130 years. They were the real founders of that country, because when they went in there was but the Hudson Bay post, and that was all.

MR. DREW: Q. When did they first produce newsprint?

A. In 1912, I think it was,—no, in 1911.

Q. Didn't that correspond with the limitation of export of saw logs?

A. Well, in Ontario of course the Saw Log Act was long before that. What was the date of that Saw Log Act? It was in 1907, I think, or '06.

HON. MR. HEENAN: Do you mean saw logs or pulp?

MR. DREW: Q. I will explain my question: We had in one case here the statement that it was at the time that a limit was placed on the export of pulp logs that the newsprint industry really began?

A. Well, two things happened: The general start of the pulp business in Canada was just about at the time of the Saw Log Act. They built a pulp mill at Sault Ste. Marie in 1894, started it, that was supposed to be one of the biggest, I think it was the biggest mill in the world at that time, it made a hundred tons of ground wood pulp. Then other mills were built; the Laurentide mills sold pulp in addition to making paper. Two things happened, the start of the industry like that and then the removal of the duty on newsprint into the United States; that had a direct bearing. For instance in 1910 we started to build the Soo newsprint mill, and the removal of the duty, you will probably remember, was dependent upon the reciprocity clause, so that when Canada took the duty off newsprint automatically it went off newsprint into the United States, so that we got a chance from that of ten percent, so instead of building a two-machine mill at Sault Ste. Marie we built a four-machine mill, it was just of that importance. The mill at the Soo was strategically located with respect to freight rates and we could find a ready market for our paper in an area of low freight rates, that is why we built the mill, but with the duty off we could go still farther afield and we put four machines in. Then of course the situation was one of a country filled with good wood and good water powers, and also bankers and brokers who saw a ready field for the sale of slips of paper.

THE CHAIRMAN: Q. Is that the paper you are making at Jonquiere?

A. Yes.

HON. MR. NIXON: It depends on the quality.

MR. DREW: Some of it didn't have the lasting quality of some that was put into it.

THE CHAIRMAN: Q. You mentioned water power sites just now. There is a tremendous amount of power being developed on the Saguenay River and Lake St. John?

A. Yes.

Q. We had figures on the cost of power to newsprint companies last week?

A. Yes.

Q. Have you any objection to telling us what your power costs you? I think you are part owners of at least one company that generates power in that district?

A. Well we originally were but now we are only stockholders. We had some of our own power that we owned outright ourselves at Jonquiere and at Kewagama but in their wisdom they made another arrangement and bought

power. We still have a lot of stock but we have no direction over it, we are simply purchasers of power.

Q. Is the power cost an important factor in the cost of your newsprint?

A. Well, of course there is a tremendous variation in the cost of power. You asked me if I would tell you what we paid. That is only partially my business. It is the Saguenay Power Company, they own those powers, and I wouldn't like to give that information out without getting their permission.

Q. You come here willingly and I don't want to force you to give any information?

A. Well, you see, it is not altogether my business and I would have to ask the other man if he had any objection.

Q. We had evidence here last week, perhaps I might put it this way, to the effect that the cost of power per ton ranged from slightly under \$4 per ton of newsprint to about \$8?

A. Yes.

Q. Would that be about correct?

A. Yes. That is a strange thing about power as a commodity—I have had perhaps twenty different power contracts at various times and none of them agree with the other at all, and I suppose that it originates from the fact that each power site represents a different problem.

Q. I suppose your distance from your power site would affect the price?

A. That is a direct factor too because your line drop has to be taken into consideration—the farther you are away the bigger the line drop.

Q. Mr. Vining gave us this evidence, if I might read the end of a sentence, "I should say that a typical case, taking the industry as a whole, would be between five and six dollars per ton of newsprint at sixty percent operation." So that we can take that equally from you?

A. Yes. I would say so.

MR. DREW: Q. Well now, Colonel Jones, in regard to the general problem of prorating would you agree with this statement that if prorating is to continue it is very important that the regulations governing prorating be clearly established?

A. Yes.

Q. Be publicly known?

A. Yes.

Q. And be strictly enforced?

A. I would heartily agree with that.

Q. In asking that I might say this, that personally having regard to the history of proration I feel very skeptical about it as a general principle but it does seem to me that there has been a good deal of misunderstanding and there is likely to be greater misunderstanding unless the public, and particularly the purchasing public, fully understand the method and how it is being carried out. I only repeat that for the record, that you agree with me that if proration is to continue the regulations should be clearly stated, publicly known and strictly enforced?

A. Yes, and means for enforcing brought into existence, because I can't see any difference between prorating oil and prorating newsprint. Oil is directly prorated in Alberta.

Q. Yes. Of course in Alberta they don't run into the problem of crossing provincial boundaries to work out the details as between two provinces?

A. No, that is true.

Q. I suppose the situation would be more similar to the prorating of oil in the United States where each of a number of States passes legislation which authorizes a controlling board or commission to enforce its regulations. Without necessarily going into detail, do you believe that something of that kind is desirable here?

A. Yes. If you are going to have prorating it shouldn't be a haphazard prorating—hit and miss.

Q. Now, Colonel Jones, if I go beyond the point of just merely asking questions it is to explain that possibly some of this discussion has taken place before. Personally, I find it very difficult to understand how prorating can work out if existing companies are placed under rigid proration and there is at the same time no restraint on the erection of new mills?

A. I agree in that.

Q. That brings us then to what appears to be a rather difficult point: If prorating has to be made effective under laws passed by at least the two provinces of Ontario and Quebec, and preferably by more, but if prorating is to be made effective then the very provincial authorities which pass the legislation to make that prorating effective could destroy the system of prorating if they permitted competing mills to be erected unless there was an actual necessity for added production?

A. Yes.

Q. Would you agree with that?

A. I would agree with that too. It was the haphazard building of mills all over the place that ruined the trade practically. There was no restriction.

For instance in the Province of Quebec the rest of us knowing that building

of another mill at Comeau Baie was just going to make a bad case worse petitioned the Quebec Government not to let that mill be built, that if they wanted a mill we could let them have one that was already in existence and not working, but it had to be and they built that mill and just made the case worse. Then that same mill exists without prorating.

HON. MR. NIXON: Q. And is actually running to capacity?

A. Oh yes, yes.

MR. DREW: Q. But there is no chance though, is there, Colonel Jones, that the mill at Comeau Baie is selling to other than the owners?

A. No. No suggestion at all. I feel sure they don't.

HON. MR. HEENAN: Q. In fact they buy some, don't they?

A. Last year they bought 32,000 tons. No, they have not sold to others, but whether it is because they just want to be good or they have not got enough capacity—

THE CHAIRMAN: Q. You will give them the benefit of the doubt?

A. I will give them the benefit of the doubt. But their papers, particularly the New York News, have had a phenomenal growth—still grow all the time.

HON. MR. HEENAN: Q. Colonel, with respect to proration it seems to be something new in this country, but having regard to what has happened in other countries have we not prorating under another name? For instance, take the coal fields of Great Britain which found that they hadn't the old market which they used to have and they closed up a lot of mines in Wales and Scotland and in the north of England?

A. Yes.

Q. And they call those distress areas, that is they close them up entirely and supply from their more economically operated mines, so that that was proration on another scale, and the government took control over those areas that were called the distress areas and put them on relief.

Then they have the oil in the United States prorated and there didn't seem to be very much fuss about that. I am going to ask you your opinion about that, because it has all been one-sided with respect to Canada's proration policy on newsprint: Is there not another side to it, the United States Publishers' side, they want a certain amount of newsprint; say that it required all our mills to supply them, then the demand goes down another year, if we were to shut those mills down tight and then a sudden demand came wouldn't it take you almost a year to get wood and get all your crews ready and your machinery in shape to start that mill over again?

A. Yes, if you had a start from scratch without any wood at all that would be the stumbling block to prevent you, your raw product, without it you couldn't make paper and you would have to wait until you got it.

Q. So the publisher is getting the benefit of this newsprint, he knows he can give the order and that under twenty-four hours your wheels are turning and you supply it?

A. Well, we have had to keep large stocks of wood on hand. It is a peculiar business in that respect.

Q. In anticipation of the orders?

A. Of an order coming in. I have seen it happen thousands of times you see in my career in the paper business.

Q. What I mean is this, I think there is too much emphasis on this; the surplus machinery we have now there is in reserve for the United States Publisher if he wants to use it?

A. Yes.

Q. If you get an order to-day for 100,000 tons of newsprint you can take it and know within twenty-four hours you are manufacturing, whereas if we closed the mills down you would have to say "Well, we can't supply you this within less than six months or a year?"

A. There is that side to it, and we are not compensated. That is one of our items of cost, that we have to carry large stocks of wood on hand subject to deterioration.

Q. Has there been an effort, Colonel, that you know of to sit in with the United States Publisher and acquaint him with the other side of the picture?

A. Well, I have personally told them all these things that we are talking about now. Not so much prorating because we don't talk of prorating except in Ontario and Quebec; it is a matter established by law through the means that you have as governments and that is all right, but the other provinces haven't got such a law.

I was going to make one point, Mr. Minister, and that is this: You almost touched on it but you didn't bring it in. In the coal areas, these coal areas in Great Britain, they closed down the mines not altogether from the point of view of scarcity of business, those mines that they closed down were the high cost mines that could not compete, they had got them down so deep in some cases that they couldn't compete any more; that is something that is inherent to the coal business, that the farther down you get the more costly your coal is and they finally get to the point where they cannot mine it; and that was the trouble with these mills that we are talking about, they were blocked out because they were too costly.

There was one point, and that was this—I thought you were going to touch on it: That is the closing down, perhaps along some lines we are talking about in connection with the coal business, the most expensive should be the first to go. Of course one of these men running those mills will tell you his costs are as good as any others, but that is not a fact. I have heard some of the executives say

that, but there surely must be something to pick and choose from that would cause you to shut a mill down and keep the other one operating. In other words you might have we will say three reserve mills that are kept with a skeleton staff and those will be the ones that will be started up, something like that. We have talked such plans over amongst ourselves and I think that that decidedly entered into the picture.

THE CHAIRMAN: Q. That would be a matter for the industry, wouldn't it?

A. Yes, it would.

MR. DREW: Q. Of course, Colonel Jones, as I see it there is one difficulty, if any Government goes so far as to become a party to a general method of this kind by passing enabling legislation then they cannot say we will enforce this general principle and at the same time divest themselves in regard to all other aspects of the problem?

A. No, quite right.

Q. And after all proration is nothing new, it has been carried out in many industries in Canada for many years?

A. Oh, yes.

Q. And in spite of the fact that a few were haled before the courts we know that the practice is pretty general?

A. Yes. But it takes the law to do it. I can think of two or three different boards where they have been haled before the courts because they were doing something that they hadn't the legal right to do. If you determine that this is the proper thing to do and then enforce it with law and see that it is carried out, well that is what we are talking about.

Q. Of course we are coming strangely close to the N.R.A.?

A. I know.

Q. And also we are getting back to an amendment to the Combines Act of Canada which in a certain section would have provided for the control of agreements of this kind where it was in the public interest, which was afterwards found to be ultra vires?

A. Yes.

Q. I am trying to clarify my mind at any rate on this general problem?

A. Yes.

Q. As I see it, if the case is to develop that proration in this industry is necessary because of special conditions then it does seem to me that you might say: We will pass laws to enforce proration and at the same time leave it wide

open for new companies to be formed without any restraint by the very authority which is attempting to enforce proration?

A. Well, you are not covering a very important point there. It has got to be controlled in other things besides simply proration.

Q. That is what I had in mind, that it is not enough for the proration to divide production between a number of existing mills, it seems to me that there are two other factors that are extremely important; one is the possibility of the erection of new mills which might disturb the balance of distribution and the other is the question of export of pulp logs, and I don't see how the latter can be divorced entirely from the question of proration at all?

A. No, I agree with that.

Q. You agree in that?

A. Yes.

Q. So far we have perhaps had a wider divergence of opinion on the export of these supplies of pulpwood than on any other one subject. Would you care to express your opinion as to the wisdom of permitting the export of pulpwood from Canada?

A. Well, the arithmetic of the situation is very simple. If you will treat first the arithmetic from the profit point of view and then treat what I suppose you would call the social aspect, where people want work and the trees are standing there and in many cases they are growing too old to get the best value out of them, and so on. Well now, let us deal with the simple arithmetic: Down in Nova Scotia I tried to get them to bring in an Act to prevent the export of wood, the famous Bill 151, and as a matter of fact I got it onto the Statute books but this Bill was hounded to death, the most awful criticism made of it, and I showed at that time that it left about \$21.50, I think it was more, in the country if it went out as paper than if it went out merely as pulpwood—in rough figures just about four to one would keep in the country. And of course there is all the additional banking and transportation and so on.

Q. Is it your honest opinion, Colonel Jones, that if some limitation were placed on the export of pulpwood it would be likely to increase our production in Canada of newsprint and other paper products?

A. Well now —

Q. Let me expand that: Or other paper products and pulp?

A. Yes. You have covered a point I was going to say, there is a world shortage occurring and accruing through the situation in Scandinavia at the present time. English mills are out of pulp, that is why.

Q. World shortage in pulp?

A. Yes. You see they have converting mills in England and they have

got to get the pulp from outside so that with the market shut off from Scandinavia it means a shortage that prevents the paper being converted that was converted there. Since Norway went into the war in particular you haven't seen so much in the way of advertisement of the paper situation in England. And the same thing is occurring in the United States. The difficulty of the situation is that they can make cheaper pulp and cheaper paper than we can in Norway and Sweden and in Finland under ordinary conditions.

THE CHAIRMAN: Q. By the way, Colonel, I happened to read in a French paper which I received last week and which was published I think at the end of March, that there is a newsprint shortage in France. Have there been enquiries from France to Canada?

A. Yes. And paper is going over there.

Q. Is that going in any substantial amount?

A. Well the last I heard was last week when enquiry was made for 10,000 tons.

MR. DREW: Q. Then I gather from what you say, Colonel Jones, that because of that demand your impression is that the industrial production in Canada both in newsprint and in pulp and other products would be increased if we placed some limitation on the export of pulpwood? Is that your opinion?

A. Yes, yes, that is my opinion.

Q. You see the contention is made the other way, that if a limitation were placed on the export of pulpwood it would not persuade anyone to come here, that they could get on without our pulpwood?

A. You are not thinking of newsprint but other products.

Q. Other products?

A. Yes. There is sure to be some development. It is difficult to say to what extent though, because that is something that will have to be investigated.

MR. DREW: Colonel Jones, you have indicated that you have had some discussions with governments other than the governments of the province of Quebec and the province of Ontario; have you any suggestions to make as to the manner in which this question of the erection of new mills could best be tied in with proration?

A. Of course, proration concerns newsprint. There are two ways of accomplishing the thing. One might lie in the changing of some of the mills from newsprint into another paper product. We constantly study that. If we could convert an appreciable tonnage from newsprint into some other kind of paper, that certainly would help the situation. What we must prevent is a reversal to the terrible, chaotic situation which existed in the trade in 1935.

Q. In that respect, Colonel Jones, I understand that at the moment, quite

apart from this question of the exemption of mills, there is some objection on the part of some mills to the fact that there are mills which have not been recognizing the percentage of proration which was supposed to be established by this committee. Is that correct?

A. Yes, that is more or less correct.

Q. That is touched on by Mr. Vining?

A. Yes.

Q. I believe he goes so far as to at least leave the impression that it is necessary, if proration is to continue, that all mills observe the basis of proration.

A. Yes, decidedly right, in my opinion.

HON. MR. HEENAN: I am not so sure that there is not a wrong impression there, Colonel. I would like to be clear on that. I did not understand Mr. Vining to be very explicit.

MR. DREW: I am speaking about his report.

WITNESS: He makes that point.

THE CHAIRMAN: That was not the point, Mr. Heenan.

WITNESS: There are two kinds of things happening in connection with prorating; one is the so-called non-commercial mills making 100 percent, and the other is that there are so many companies which for various reasons are not living up to the prorating, and that means a thinner time to the rest of us.

MR. DREW: Colonel Jones, there is one point that has been under discussion and on which I would like your opinion. The two provincial Acts which are used to enforce proration do not in fact refer to proration at all?

A. No.

Q. The Ontario Act is the Forest Resources Regulation Act?

A. Yes.

Q. And the Quebec Act is a corresponding Act. It has been frankly stated that both of these Acts were passed with one of their main purposes being the enforcement of proration. My own opinion on this matter would be that if we are to maintain the good-will of the consumers in the United States and also to maintain confidence within the industry itself in Canada it is important that any Acts that do enforce proration clearly state their purpose and should not be open to misinterpretation. As I see it, it is like trying to prevent a man walking on the street by telling him that he cannot wear an overcoat because it is too heavy, or something of that kind?

A. Yes.

Q. This Act says one thing and apparently is intended to do something else. I come back to the point that I personally believe very strongly that if proration is to be carried out effectively such laws as are passed for that purpose should clearly indicate their purpose and should leave no doubt as to what their intention is. Will you agree with that?

A. Yes. That is decidedly an evil of the present situation and one that we have always recognized as such.

HON. MR. HEENAN: The Act clearly states that mills will operate in the public interest. That is clear enough.

MR. DREW: That is like something I once saw in Germany; that they had democracy in Germany because Mr. Hitler was the one man that represented the whole will of the German people. It is a rather vague term, as under that wide term you could dispense with all laws and leave it to any government to decide what was good in the public interest.

HON. MR. HEENAN: That is what the Combines Investigation Act says, and it is working all right. You must not operate against the public interest.

MR. DREW: Colonel Jones, you may or may not care to express an opinion on this, but would you care to express any opinion as to the wisdom of placing the details of the method of the control of this industry under some inter-provincial commission which would not only have power to prorate but also power to enforce certain methods of operation?

A. Yes. We have discussed that amongst ourselves and we discussed it from two angles: one that there should be something more to guide us than the present simple language that exists. Once you have arrived at that point you then, of course, have to have some commission—call it what you will—to administer it, so that some company is not going to just sit down and make 30,000 tons which another company—both of them being under the same Act—should not be making. In other words, you have got to administer it, and you have got, in my opinion, to have something that covers the necessary details as that there will be no vagueness.

Q. You raised a point which it seems to me is vital to a practical development of this system over any period of time. You pointed out that high cost mills should be the first to go if it is necessary to close down any mills?

A. If it is. I said "if".

Q. If, yes.

A. And I also said that there were those who made certain contentions, some people who were interested in mills which we know are not modern, although it is a funny thing they still exist and get pretty good cost too.

Q. The reason I mention that is this; as I said before, proration is not new, we have had a great deal of experience in Canada already in regard to the methods

of proration much of which has not been injurious to the public; but one of the problems that has been faced in practically every case where industries have attempted to work out proration has been the problem of determining how far they should preserve either inefficient or costly plants.

A. Well, once you have labelled a plant as being too costly, something has got to happen. What is it going to be? Confiscation of the mill, just close it down, or something like Mr. Heenan referred to in connection with the mines? There is a case in point. I read all about that at the time but I cannot remember how they did it.

HON. MR. HEENAN: I think the government compensated the coal owners for the closing of their mines. I think they did that; I am not quite sure.

MR. DREW: You mean in England?

HON. MR. HEENAN: Yes.

MR. DREW: There was expropriation and compensation.

WITNESS: I do not see how you could do anything else but that.

Q. Who would you think should have authority to do that?

A. Well, of course, that takes again much more machinery than exists to-day.

Q. Yes.

A. You would have to study the thing and set it up, that is all. I do not know. I know of two mills, for instance, the Espanola mill and the Sturgeon Falls mill. Both of these mills are down and I do not think they will ever be operated again because certain other things come into it. There is the matter of wood supply. Both of these mills have worked for so many years. It gets them to a point where they are like the deep coal mine where you have to go down so far that the raw product is costing you more than the market will stand, that is all.

Q. You mean by that that they have cut back to a point where the wood is too costly at Espanola and Sturgeon Falls?

A. That is one of the factors. I do not know whether I should be talking about somebody else's mills. I have built most of these mills, but I do not know whether you should quote me on somebody else's business. Perhaps I cannot justify myself discussing somebody else's business. But I happen to know those mills. We know that they are down, have been down for ten years and will probably not be operated again as newsprint mills.

HON. MR. NIXON: And there was no suggestion that the government should compensate the companies?

A. No.

Q. To keep them?

A. No. There is no machinery for doing it.

Q. You have the same problem as has every little sawmill?

A. Yes.

Q. Until finally it goes out of business?

A. Yes.

MR. DREW: Colonel Jones, would you go so far as to say that part of their problem at those two mills has been a disregard of strict forestry methods?

A. Well, I can perhaps do that because I was, after all, general manager of these mills. We were getting the wood wherever we could get it the cheapest and best. But that does become a problem for all of the pulp and paper mills. All you have got to do is go across the line, for instance. I know towns there where there were four paper mills in the same little town. Their problem became more and more acute until finally they reached the point where they had to give up.

Q. Or get Canadian pulpwood?

A. Or get Canadian pulpwood, exactly.

THE CHAIRMAN: What happened, as a matter of fact? Did they close down?

A. They all closed down.

MR. DREW: Colonel Jones, having regard to the social side of this problem would you agree that if there is to be a continuance of many of these mill towns it is necessary in future to have a stricter regard for the preservation of the forests behind these mills?

A. I would say so.

Q. You agree with that?

A. I agree with that. We have what we call ghost towns in Canada. I can think of half a dozen of them in the Georgian Bay district where they came in and cut the lumber off. People built churches and they built a city hall and went through all the acts of doing something for a place that was going to be in perpetuity. But the lumber was all used up.

Then what happens? You have got another ghost town on your hands. There must be ten of these between the Soo and Sudbury. They built just as if everything was going on forever. Finally there was nothing left but the postman.

HON. MR. NIXON: You have lots of churches in Espanola and Sturgeon Falls. Did you consider you had wood there in perpetuity?

A. There are two churches in Espanola; there is the Roman Catholic and the Episcopalian church. They were built on the joint efforts of the company and the people.

Q. But was it the opinion of the company when they were operating these mills under your management that you had wood for perpetual operation of the mills?

A. Well, I looked a little further ahead than most people. They still have wood, you know. You can bring the wood down on the Spanish River. But I have been looking at this from the big side of the picture. Take, for instance, twelve years ago. I was general manager of all these companies, and I was in those days giving my thought to where the wood was to come from. We knew that here was a mill, take the Soo mill, situated at the foot of Lake Superior, with a huge reservoir of wood that can come down to it. Or the mills at the head of the lake which are so situated. But where you have a mill like the Espanola mill on one river—well, you can certainly calculate what you have, and you can make timber cruises, which we did of course, and tell how long the wood will last. But I would not want to make any damaging remarks in connection with a company that I am not running now.

Q. But you consider that situation as inevitable?

A. Well, yes. It was even more so on the Sturgeon. The Sturgeon mill was built by the Ontario Paper Company. It was a two-machine mill, and they went in there and they neither had wood enough nor power enough, because when it came to the dog days there was nothing but a trickle coming down that river. That was the first fundamental mistake. Afterwards Garnet Grant bought that company, the old Imperial, and formed the Ontario Paper Company, put it in with the Spanish and rolled the two over again and sold some more shares. Then he tried to buy the Lake Superior Paper Company, of which I was then the president, and borrowed \$3,000,000.00 to pay his debts and do some funny things. You know, just enough to add colour to it and sell some more shares. Well, of course, he didn't take the last hurdle, and when he was all through he paid out the \$3,000,000.00 for debts and different things and didn't have his stock. They just grabbed his stock. The Lake Superior Paper Company gave him an option on Lake Superior Paper Company, but when we were all through the lean kine ate the fat kine and we had those mills on our hands.

The Espanola mill was a two-machine mill, and we made it into a six-machine mill. We did not get enough limits from the government. If we had, that mill would still be going.

Q. But the wood actually was not there, was it, to justify a mill of that size in perpetuity?

A. We thought we could get it. Of course, there was a great deal of wood that we did not get. If we had received it the story of the wood supply would be different. But you didn't always get the wood you went after.

MR. DREW: Colonel Jones, I personally have no intention of pursuing this question of forestry practice beyond a certain point because I recognize that, covering such a wide area as the province of Ontario and the province of Quebec, in some particular areas general theories might be worked out which do not apply to others, and I thought if we could arrive at some fairly broad conclusions that would be as far as we could go. Would you go so far as to agree that at least one of the difficulties of this industry has been an absence of sufficient strict forestry practices?

A. Well, that is pretty general language, Colonel. During the war I was on the Inter-allied Board and I had a great deal to do with the French foresters. Of course, forestry, as they practiced it in France and Germany and those European countries, is so far ahead of what we do or can afford to do here. Their forestry system was founded some hundreds of years ago, and they practiced forestry there in almost an intimate way. They say that a French forester knows all these trees by nicknames. We can't think in those terms at all. We have made estimates of what we should do, but nature does it and does it in such a cheap way compared to what we could ever do it for.

So that no real forestry has been practiced. They have tried to kill the pests and done some splendid work in that respect. And, of course, we have gone pretty much the limit in fire protection. But when it comes to practicing forestry—new forests, planted forests—we cannot afford to do it.

Q. Colonel Jones, it seems to me that the problem of the control of cutting and general forestry practices is a very important part of the broad problem of proration itself, because it would seem to me that, for instance, if you should have a system that protected one company in the same way that it protected another in regard to sales, then at the same time it would be improper to let one of those companies start hi-grading their timber as against another which was seeking to preserve its stand of timber in perpetuity?

A. Well, of course, the Frenchman in his forestry starts from scratch and he plants a forest. Then at a certain time he thins that out; he has a place for that thinned out timber to go. Then he lets it come to maturity. It is all the same age and it is cut down. Here when the wind blows seed it may blow it in one direction this year and in another direction next year or three years afterwards, so you have a mixed forest all the time. The right thing to do is to tree a forest just like a farm—farm your wood. When you go out to cut hay you cut it all down. If you had an artificial forest, which frankly we cannot afford, then you would thin it out, you would cut it down. The best way to preserve it is to cut the mature timber and thin the forest out to let the light in and get some more mature timber, and so on.

Of course, frankly, that adds perhaps the top log to the thing because it makes it more expensive. Wait five years and then go in and your roads, bridges and everything else have gone by that time. But that would be preserving the forests. We would have to get more money for our paper if we are going to do that kind of thing.

Q. Yes. I was coming back not so much to the question of rebuilding our forests as to the fact that it seems to me a uniform enforcement of cutting methods is essential to an equitable enforcement of proration?

A. Well, grant that each mill had sufficient wood for the life of its bond issue. We know that the mills live beyond that. But that is in our circulars. We always describe that there is ample wood for the life of the bonds, and that satisfies investors and everybody else. Now, if you had that for every mill perhaps that would be just as good an answer as you could get.

Q. That would not, of course, assure perpetuity, would it?

A. No, no.

Q. You would still be confronted with the problem of ghost towns?

A. Yes.

Q. Because I suppose the maximum period of repayment of most of these bonds is twenty years, is it not?

A. Some of them are twenty; twenty-five and thirty years.

Q. In that period, at any rate?

A. Yes.

Q. Then if you make the life of the bond the determining factor you would still be confronted with the problem of ghost towns?

A. Finally, yes. If you have an industry that has not a raw product you have a ghost on your hands in itself, because there is nothing which you can do with it. Newsprint runs to such large tonnages that you have got to have a huge supply of raw product.

Q. Well, Colonel Jones, in asking this question I preface it by saying that I believe in free enterprise as much as anyone, but it does seem to me that we are getting into something here where, if there is to be government enforced control of any kind, it cannot stop just at the beginning, and that all these related problems must in some way be brought under co-ordinated control. I have in mind, for instance, this fact: that proration in other industries has always failed in the past unless it was recognized that inefficient and high cost mills had to be eliminated from the picture as that situation was recognized. In other words, that there could not be a monopoly over inefficient or high cost production?

A. That is important to remember too.

Q. Then another point that seems to me important is this, that there may be possibilities from time to time of changing a newsprint mill into the production of some other product?

A. Yes.

Q. And that if you have newsprint mills working under a strict proration system you may stifle the initiative to get into some profitable alternative

product unless in turn there is co-operation of activity and also co-ordinated research in regard to the whole industry. I am not suggesting that we get it under the same strict form of control, but I have in mind that in some of the European countries research, control of forestry methods, the elimination of inefficient mills are matters which are all tied in with their method of controlling output?

A. Yes.

Q. And with the recognition of our general principle of free enterprise, would you agree that it would be desirable that some method of co-ordinating these factors should be established here if possible?

A. I do not know whether we have reached the point in our national existence where we want to follow French forestry rules, and so on. Because cutting a tree down is quite a ceremony.

Q. As Mr. Heenan said it is like getting the last squeal out of a pig?

A. Yes. As I said a little while ago they have everything that could possibly be secured. For instance, they say, "Le bois de la femme du boulanger." It is a very descriptive thing. But over there the baker keeps all the good sound wood himself and he makes his wife cook with twigs.

Q. Well, I do not want to become an alarmist about this, but I do feel, Colonel Jones, that we have come to the point now where we must recognize that when this war is over, whenever that will be, we are going to face that same system of world competition?

A. Yes.

Q. In which our very economic survival here may depend upon the highest measure of efficiency possible in any given industry; and rightly or wrongly I am convinced that our newsprint and other wood product activities in this country must be put upon some more effectively co-ordinated basis than they are now if we are to meet the competition that will come after this war is over.

A. That is very sound reasoning, and you can just add this to it; that unless you have something like prorating and control, the same kind of competition is going to start again.

Q. Yes?

A. Because you can't get away from a basic law like supply and demand. You can't get away from it. And they will cut the price again just to get the business.

Q. You mean our competitors?

A. I beg your pardon?

Q. Our competitors, you mean?

A. No, I am just talking about the Canadian manufacturers.

Q. Oh, yes.

A. History is sure to repeat itself, because it always has.

Q. Yes.

A. You see, if you will just think of this: without control and without prorating, which makes the control, we went into the last war and we were selling paper at ridiculous prices. With prorating we have gone into the war with \$50.00 paper this time.

Q. But I just bring it back to this point, Colonel Jones: Does it not seem reasonable that we should make use of such temporary assistance as we get from war conditions to put our house in order and to be in the most efficient position possible to meet world competition after the war is over, instead of looking on the war period as a time to delay any serious operation on the patient?

A. Yes.

Q. I mean, I think you will agree with me that this patient does need an operation of some kind?

A. You have the chance to do it, and, if you don't do it, you are going back to the same chaotic conditions we had, that is all.

THE CHAIRMAN: I do not like that word "operation"; I am wondering if "treatment" would not fit the situation better.

MR. DREW: I think the knife has to go below the surface in this case.

WITNESS: Sometimes you can cure without the use of the knife; and I think probably you do not have to use the knife with the reprieve the war is giving you. This is the time to do it. You see, we cured so many evils. We had all these contracts where the price of one company was dependent upon the price of another company. Sometimes there were five interlocking contracts all depending upon getting back to one man's price or one company's price.

MR. SPENCE: I understood you to intimate that the wood we export from the province of Ontario is manufactured into newsprint in the United States?

A. Yes.

Q. Then, have not the newsprint mills got control in their own hands? Why don't they buy this wood? It is manufactured into pulpwood at \$12.00 in the rough and \$16.00 peeled?

A. Yes; \$18.00 sometimes in certain areas. It is up to \$18.00 now.

Q. Then why not have our Ontario mills use that wood here that is available for export or buy it?

A. It is pretty hard to resist the argument of the inhabitants of a certain area where the trees are standing and there is a purchaser for the pulpwood, also the opportunity for work.

THE CHAIRMAN: I should like to ask you just one question, if I may refer back to something you said a moment ago about Bill 151 in Nova Scotia?

A. Yes.

Q. Did that refer to the embargo on all pulpwood or on pulpwood from Crown lands?

A. It was a very simple document; it put it in the Minister's own hands.

Q. Are there many Crown lands left in Nova Scotia?

A. No.

Q. The land is privately owned there?

A. Yes. Take, for instance, my company down there, we have three areas all contiguous to each mill, and then we have got a grant of 8,000 odd cords of wood up in Cape Breton where the wood is expensive and not very good, and we figure that we can certainly take care of the period of our bonds and then some. In addition to that we are on the seacoast, so we can go further afield and buy wood.

Q. What I had in mind was this, that most if not all of the exports of pulpwood from Nova Scotia came from privately owned lands?

A. Yes, farm lots and areas, and they certainly are taking the wood off very fast this year, pit props and lumber—the biggest year they have ever had.

MR. DREW: You say that that gave power to the Minister; you mean that he was able to control the export at his own discretion?

A. As a matter of fact, he never had the chance because they passed it—that was the Rhodes government—and the Rhodes government went out the following year. So they never used it. But they were terribly condemned for passing that bill.

HON. MR. HEENAN: That is not what put them out, is it?

A. By jove, it had a powerful effect. What they said was that it was a monopolistic bill introduced by our company and that the poor people would not be allowed to export it.

THE CHAIRMAN: I wish to thank you, Colonel, for travelling to Toronto and giving us the benefit of your evidence.

A. A very great pleasure. I hope I have given you something that will be of assistance. And I hope I have made clear two things: in the first place, I do not like prorating. Neither did I like castor oil when I was a kid.

Q. I was going to suggest that simile.

A. But the castor oil used to do me good. And I know that this prorating system is the only thing that I can think of to control, that is all. I can't think of anything else. You should have, I should say, an administration of perhaps three people, or something like that, to see that everybody behaves.

MR. DREW: You mean an inter-provincial board?

A. Yes. And we could all agree on what mills are to be built, if any, and the distribution of orders, and seeing that it was carried out.

HON. MR. NIXON: Also the price at which newsprint should sell?

A. You are getting over the fence now pretty far.

Q. I don't know that you are if you are going to ask the government to police your industry.

A. We should get more for our paper. I do not think we are getting quite enough.

MR. ELLIOTT: Also the price they would be required to pay for pulpwood?

A. There you go, all down the line.

HON. MR. NIXON: That is the trouble; when you once get into a business of this kind you do not know where government interference should stop.

A. Well, of course, there is not any doubt that ordinary business conducted without improper methods of cutting prices, and so on, is the best way to run things. But if these evils creep in —

Q. You will admit that in the last war it was not for the lasting good of the industry to run prices up to \$110.00 a ton?

A. No, it was not. We have been trying to live that down ever since. We are still told about it. On the other hand, the companies that I was managing at that time did not run their prices up. We continued to carry out our contracts because, after all, they were contracts.

THE CHAIRMAN: The Committee will adjourn until 2.30.

(At 12.50 a.m., the Committee adjourned until 2.30 p.m.)

AFTERNOON SESSION

THE CHAIRMAN: Mr. Rowe, will you sit over here?

HON. EARL ROWE, President of the Great Lakes Paper Corporation:

Called:

THE CHAIRMAN: I think Mr. Rowe was invited here at your suggestion, Mr. Cooper. Have you any questions to ask him?

MR. COOPER: Q. You are the president of what company, Mr. Rowe?

A. The Great Lakes Pulp & Paper Company, Limited.

Q. And what mills does your company own?

A. The Great Lakes pulp and newsprint mill at Fort William.

Q. Have they just got the one mill?

A. Yes, sir.

Q. What is the capacity of that mill?

A. 113,000 tons, that is of newsprint.

Q. You were not here during the previous evidence that was given before this Committee?

A. No, sir.

HON. MR. NIXON: Q. Do you make anything else but newsprint?

A. Yes, sulphite pulp, approximately 24,000 tons capacity of sulphite pulp.

MR. COOPER: Q. There has been considerable evidence given to the Committee here, Mr. Rowe, with regard to the prorating of newsprint. Your company, I understand, is not prorated,—is that correct?

A. That is correct, sir.

Q. Your company, therefore, comes under one of the so-called exemptions?

A. I do not know whether we have that particular classification or not. We should have.

Q. Will you let us know the exact position of your company with regard to the proration scheme?

A. The Great Lakes Paper Company, Limited, I think, is in a position that it is impossible for it to subscribe to the proration policy.

Q. Will you give us your reasons?

A. I would want to summarize them, sir. The original set-up of the Great Lakes Pulp and Paper Company, —no doubt the Committee is well aware that several newsprint companies in Ontario have been in receivership for several years, at least. The Great Lakes Pulp & Paper Company, Limited, in 1936, was the first and the only one to date which has been taken out of receivership by reorganization.

This was made possible by the reduction of the capital structure from \$39,000,000 to \$13,000,000.

Q. And when was that?

A. The summer of 1936, sir. It was made possible under a scheme of reorganization, under which the junior stock interests, both preferred and common, were not considered other than they were practically wiped out, in a sense.

On the other hand, they were not dealt with the same as the balance of the stock, because those who held junior stock at that time had debts that were owing to the Great Lakes Pulp & Paper Company.

The bondholders agreed to sacrifice \$4,000,000 of principal, \$3,500,000 arrears of interest, and accepted five percent per annum on the remaining \$6,000,000 of bonds, instead of six percent.

They received, in addition to their \$6,000,000 of bonds, 90,000 preferred "A" and 80,000 common shares in the new company.

The unsecured creditors of the old company, with claims of approximately \$3,000,000 accepted, in lieu of their claims, 10,000 shares of preferred "A" and the balance, 20,000, of common shares.

The inducement which made this reorganization possible was the fact that long-term newsprint contracts had been secured, which, with options maturing in 1938, would assure probably the minimum capacity operation of the mill.

Q. Were those contracts secured before the reorganization was entered into?

A. Yes, they made the reorganization possible, sir. It was those figures of ultimate earnings and the consequent establishment of a market value of preferred and common shares and reasonable earnings thereon, which prompted the bondholders and creditors, in good faith, to relinquish their claims, as it were, and accepted these junior securities in the new organization.

Therefore, I claim, sir, that any action on the part of the company's management in allocating tonnage to other mills is a serious violation of the company's contract with the shareholders.

Q. An act of bad faith?

A. Yes. That therefore, any action on the part of the company's management in allocating tonnage to other mills is a serious and direct violation of the company's covenant with its security holders.

The proration of tonnage is also impossible for Great Lakes in view of the very nature of our long-term contracts. The proration of tonnage involved seriously prejudices the interests of the publisher customers who were assured protection under their covenant with the new company, which has been fulfilled by them to the letter,—I mean by the publisher customers,—even though they have received only a small fraction of the compensation anticipated. For the company to disregard this covenant, would be unfair, unethical and illegal.

Proration of tonnage also involves a further violation of contract by reason that all the long-term newsprint contracts which formed the basis essential to the reorganization plan state specifically that all newsprint supplied must be manufactured at the Fort William mill of the Great Lakes Paper Company Limited.

In other words, the application of proration of the reorganized company would violate every principle which made the reorganization of the company possible, and I believe it would further prejudice the faith of prospective reorganizations of other companies that are endeavouring to get out of receivership at the present time.

This plan or reorganization only received the approval of the Supreme Court and the consent of the Ontario Government after long litigation and consideration. All features of the plan were thoroughly discussed, and the Government's approval was finalized and confirmed by a letter of March 24th, 1936, from Mr. A. J. Thomson, counsel for Great Lakes, addressed to the Honourable Peter Heenan, and one from the Honourable Mr. Heenan to Mr. A. J. Thomson in reply, dated March 24th, 1936.

I think it is only fair, sir, so as to have the record complete, that that letter should be read into the record, with your permission. This is dated March 24th, 1936, addressed to the Hon. Peter Heenan, Minister of Lands and Forests, Parliament Buildings, Toronto:

"Dear Mr. Heenan:

re Great Lakes Paper Company Limited.

"This is to confirm the arrangement made yesterday between yourself and the Prime Minister representing the Government, Mr. Rundle and Mr. MacKelcan representing the National Trust Company, and myself, representing Messrs. Aldrich and Gefaell. While I speak of it as an arrangement, I quite understand that the decision arrived at by yourself and the Prime Minister must be confirmed by the Cabinet, but I assume that your recommendation will be accepted almost without question by your colleagues.

"FIRST: When the offer again comes before the court for approval my clients will consent to the imposition of the following term;

"That no dividends shall be paid on the Class "A", Class "B" Preference shares, or Common shares, until the current published contract

price of newsprint for delivery at Chicago, Detroit, Cleveland and other American lakeports west of Cleveland is at least \$45.30 per ton f.o.b. mill full freight to destination allowed or the equivalent figure if the price structure of the industry generally should be changed so that only part or none of the freight is allowed to the customer and not then if the effect of payment of dividends will be to reduce such current published contract price of newsprint below such \$45.30 price.'

"SECOND: Messrs. Aldrich and Gefaell will recommend to the publishers whom they represent, that the contracts between them and the Receiver, under which, in a certain event, the Receiver grants a reduction of \$2.00 per ton from the full market price, be amended by substituting 1st July, 1936, for 1st April, 1936, as the date when the Receivers' contracts become effective to supplant the ten-year contracts entered into by the new company. It is understood that the consent of the publishers to this amendment will have to be obtained by my clients before the return of the application of court for approval of their offer.

"THIRD: The new company now incorporated under the Companies Act of Canada will assign its right to receive conveyances of the assets and undertaking of the Great Lakes Paper Company to a new company to be incorporated under the Ontario Companies Act and such last mentioned company will be substituted for the Dominion company as purchaser.

"If this is a correct statement of the terms agreed upon yesterday and if the decision you and the Prime Minister made yesterday is approved by your colleagues of the Cabinet, I should like to have a letter from you saying that the Government's opposition to the sale will be withdrawn and that counsel representing the Government will appear in court and take this position.

"As Mr. Aldrich intimated to you in the interview which took place on the 13th instant, a public statement from you now is essential in order to obtain the consent of the publishers to the amendment of their contracts with the Receiver. I hope you will see your way clear to issue such a statement to-day in view of the short time remaining between now and the first of April.

"Both my clients and the new company appreciate that the co-operation of the Government now and in the future is of supreme importance to the success of the new company. I venture to express the hope that the resolution of our present difficulties which is now proposed will lead to a much better feeling on both sides as their interests are common. They also appreciate that it is important that the new company should work in harmony with the rest of the industry and whatever influence they have will be exercised to bring about that result."

In answer to that letter, the Honourable Mr. Heenan replied to Mr. Thomson, under the same date, March 24th, 1936:

"Dear Sirs:

Attention Mr. A. J. Thomson,
Re—Great Lakes Paper Co., Limited.

"Having regard to the conferences recently held and the interview I had with you to-day respecting the above subject matter I desire to acknowledge receipt of your letter of even date in which you set out the propositions submitted to the Government resulting from the objections raised by the Government and the discussions recently held.

"The undertaking that you have given which has been consented to by me on behalf of the Government is as stated in your letter.

"I am glad that your clients and those associated with them have at last realized the difficulty which the Government felt in approving of the plan as originally formulated and have been able to agree to changes in this plan which have made it acceptable from the standpoint of the Government. I hope that now this difficulty has been solved the relationship between the Government and the new company will always be of a cordial character.

"Yours very truly, (Signed) Peter Heenan, Minister, Department of Lands and Forests."

Now, the statements that were made to the Press at that time, public statements, I think might well be quoted with those letters, in the consideration of our position. The Honourable Mr. Heenan, the Minister of Lands and Forests, was quoted in the issue of the Mail & Empire, dated March 25th, 1936, (the following day) as stating that the difficulties connected with the sale and reorganization of the Great Lakes Paper Company, Limited, all had been completed "on terms which protect the public interest and which are therefore satisfactory to the Government."

Mr. Vining, by the way, also made a statement at that time,—Mr. Vining was the president of the Newsprint Association,—and his statement appeared in the same issue of the Mail and Empire, as follows:

"The settlement of the Great Lakes situation as announced by the Hon. Peter Heenan is an important step towards stability of newsprint conditions and newsprint industry in general will regard the settlement with satisfaction since it disposes of several disturbing possibilities."

"stated Charles Vining, President of the Newsprint Export Manufacturers Association of Canada to-day. "The industry and the public alike had reason to feel," he said, "that the Hon. Mr. Heenan had made a highly constructive contribution to the Industry's improvement."

Now, I read those letters at length, sir, to bring to your attention the statement that was made at that time, and to also bring to your attention as well a statement that has been made recently, a statement, indeed, that has been given considerable publicity too, first in a pamphlet on newsprint prorating that I believe is by Mr. Vining, who is president of the Newsprint Association

and as chairman of the committee, has submitted to each member of the Committee here, and handed to many other places, such as our press, and so on.

THE CHAIRMAN: I am sorry to interrupt you. It is not a pamphlet by Mr. Vining, but it is a report made to the Hon. Mr. Cote, Minister of Lands and Forests of the Province of Quebec, I believe, at Mr. Cote's request; and it was given to us the last time Mr. Vining was here with the permission of the Minister of Lands and Forests of the Province of Quebec.

THE WITNESS: Mr. Chairman, I only refer to it as a further indication, to my mind, of what is to some extent a misrepresentation of our position relative to those points that I have taken up by the reading of these letters.

The evidence that I believe Mr. Vining has given, is on page 1199, which I believe you have there, substantiates the report in this bulletin, which I feel in all fairness should be corrected, where he said that,

"During March, 1936, an agreement was reached between the governments, representatives of National Trust and counsel for Messrs. Aldrich and Gefaell. The agreement as accepted by the governments and the industry consisted of two things: First, amendments to the plan regarding the basis of dividend payments, and secondly, an undertaking to the government that the new Great Lakes Company would participate equitably with other mills in such distribution of tonnage as the Government might require."

Now, the undertaking of the company, I do not think, can be subject to any such interpretation. It is clearly set forth in the letters which I have read to this Committee. This letter is dated March 24th 1936, from Mr. Thomson to the Government and is a confirmation, on the 24th, of the conferences that he referred to, that were held on the 23rd; and, as a confirmation, it points out the amendment with reference to the plan of dividend participation; but, secondly, as it states in that letter which I read to you, and which with your permission, Mr. Chairman, I will read again, to show that there was no relationship to the understanding, which I think was a misunderstanding:

"SECOND: Messrs Aldrich and Gefaell will recommend to the publishers, whom they represent, that the contracts between them and the Receiver, under which, in a certain event, the Receiver grants a reduction of \$2.00 a ton from the full market price, be amended by substituting 1st July, 1936, for 1st April, 1936, as the date when the Receiver's contracts become effective to supplant the ten-year contracts entered into by the new company. It is understood that the consent of the publishers to this amendment will have to be obtained by my clients before the return of the application to court for approval of their offer."

HON. MR. NIXON: You are not giving any of those reduced prices now?

A. No, we are maintaining the enhanced prices.

There is no relation, Mr. Chairman, to that undertaking whatever.

MR. COOPER: You say there was no undertaking that the new company would partake equitably with other mills in such participation of tonnage as the Government may require? Is that so?

A. Quite so, and there is nothing in the second part, nor in the third part whatever that would indicate any such understanding.

Therefore I claim that that misrepresents our position, and to my mind is wholly unfair; and I would further add that it would seem logically almost impossible to negotiate terms of reorganization if, before the ink was dry on the original contracts, we should have some other plan that would break and violate that contract.

HON. MR. NIXON: Mr. Rowe, have you never had any new tonnage, apart from that in the contracts which led to the reorganization?

A. Yes, we have had some new contracts.

Q. And you say that those do not come in under your original plan?

A. Yes, we had the right of extending our original customers, the publishers, the right of extending the contract, with commission of 51 percent of the publishers.

HON. MR. HEENAN: Q. Mr. Rowe, would you read that paragraph again relating to the co-operation of the Government?

A. It is the last paragraph, Mr. Heenan, of Mr. A. J. Thompson's letter to you. I will read the whole of the paragraph:

"Both my clients and the new company appreciate that the co-operation of the Government now and in the future is of supreme importance to the success of the new company. I venture to express the hope that the resolution of our present difficulties which is now proposed will lead to a much better feeling on both sides as their interests are common. They also appreciate that it is important that the new company should work in harmony with the rest of the industry and whatever influence they have will be exercised to bring about that result."

HON. MR. HEENAN: That is the paragraph, I am pretty sure, that Mr. Vining based his belief upon that we agreed to proration.

A. His evidence did not indicate that he thought that; nor did this report to which I have referred. I think, however, sir, that we have worked in harmony with the industry, as far as it was possible for us to go in respect of our own contracts.

MR. COOPER: What was the amount of the original contracts that were approved of by the Government at that time?

What was the total, Mr. Rowe?

A. The company had the right to operate in carrying out their contracts.

Their agreement was for a minimum of 67,500 tons, or the maximum capacity of their mill.

MR. COOPER: Q. The capacity of the mill at that time was how many tons?

A. It was 90,000 tons, sir, at that time. Under the classification of the Newsprint Association, the capacity was found to be later 113,000 tons,—I believe, to be exact, it was 113,500 tons.

HON. MR. NIXON: What is your actual production now?

A. Our actual production, or our capacity?

HON. MR. NIXON: Q. Your production?

A. Our actual production has been running about 85 percent. That is not our output of shipments. Our actual production at the present time,—we are operating in anticipation of probable improvements in the industry,—

Q. 85 percent of 113,000 tons?

A. Our actual operations of shipping last month were 71.5 percent.

MR. DREW: Q. Just on that point, I think it might be well to get this point cleared up, because I see that Mr. Heenan was referring to the last paragraph of the letter, which is also referred to by Mr. Vining in his report on Newsprint Prorating, which was prepared for the Honourable Mr. Cote, and which was handed to each member of the Committee here with the consent of the Honourable the Minister of Lands and Forests of Quebec. Did you get a copy of Mr. Vining's report?

A. Yes, sir.

Q. I think there is a point on that, while you are here, which I think would be well to get cleared up, on page 44. You see, he sets out there, at the top, with two points that were supposed to be covered by the settlement. There was supposed to be an amendment changing the basis on which the "B" stock might be paid. That does not raise any misunderstanding.

"2. An undertaking that the new company would participate equitably with other mills in such distribution of tonnage as the Government might require."

Then it goes on to review certain details of this. Then, in the last paragraph at the bottom of the page:

"The Aldrich-Gefaell and National Trust representatives agreed to the two stipulations and the Government, in return, agreed to permit the reorganization to proceed. The next day, March 24th, 1936, Mr. Thomson returned to Hon. Mr. Heenan's office with a letter confirming the points of the agreement. The letter contained a clear statement of the amend-

ments regarding divided payments, but did not clearly state the undertaking with regard to distribution of tonnage."

That is the letter which you have read?

A. Yes.

Q. "Hon. Mr. Heenan pointed out this deficiency and referred to points in the above-mentioned memorandum which he wished to see included in the letter. Mr. Thomson thereupon explained that it would be embarrassing to his clients (Messrs Aldrich and Gefaell) to be obliged to spell out the future co-operation with the Government in this respect in a statement which would have to be presented to the publishers in the Aldrich-Gefaell group. To do so, Mr. Thomson said, would aggravate the publishers, who disliked governmental action, and he suggested that there was such a clear understanding of what would be required that it would merely be causing unnecessary disturbance to define this part of the agreement beyond the general statement in the final paragraph of his letter, which read as follows." And then he read the two paragraphs which you have read from that letter,—he left out the middle of the paragraph, but also read the rest of it:

"Both my clients and the new company appreciate that the co-operation of the Government now and in the future is of supreme importance to the success of the new company"—then he left out the middle sentence, and proceeded: "They also appreciate that it is important that the new company should work in harmony with the rest of the industry, and whatever influence they have will be exercised to bring about that result."

Then he goes on to say:

"Hon. Mr. Heenan accordingly did not press the point and accepted the above letter by a written acknowledgement written the same day. It later became apparent that the stipulation as to the new company's future conduct should have been made directly with the management of the new company, who would be responsible for it, but no management had then been appointed, since there was as yet no new company in actual existence."

I have read that because the new point was referred to by Mr. Vining while here the other day, and certain things which the Honourable Mr. Heenan said he understood.

Is it your point that these words do not represent the true understanding?

A. Yes, there evidently was a misunderstanding between the company and those who had verbally made it. I was not president of the new company at that time, and was not present. And all I have at hand is the record in the letters of the 24th March, 1936, confirming the understanding of the 23rd.

MR. COOPER: Q. Is not this the situation, that if Mr. Vining's interpretation is correct, that is, that you would participate, then you would be doing something directly opposite to what the Government had consented to?

A. Yes, that is it, Mr. Cooper. Again I would say that it would practically violate and break every covenant we made that made the reorganization possible.

To my mind, it would be a violation on almost the same day that the covenants were signed.

The understanding of working in harmony or in co-operation with the Government, I have endeavoured on behalf of the company that I represent to give the Government and the industry as much co-operation as possible.

Reference has been made in the evidence to an order-in-council imposing a penalty on the Great Lakes Company, and I think it was referred to, and probably might have left the inference that probably our company's position was practically the same as that of the M. & O. However, the order-in-council so far as the Great Lakes Company was concerned, was revoked in December, two or three months after a similar order-in-council had been revoked imposing a penalty on the M. & O.

It was the understanding that we would co-operate; but for valid reasons this was not and could not be understood as participating in the proration. However, it was understood by the Government and ourselves as co-operating to the utmost extent. I believe the Great Lakes has participated with the others to a greater extent, in tonnage, than any other mill in Canada.

MR. COOPER: Have you those figures?

A. Yes, 38,000 tons,—enough to keep the Great Lakes Company working at full capacity for four months.

When the Minister became convinced that the Great Lakes Company was doing everything it possibly could to meet the wishes of the Department, he promptly revoked the penalty by order-in-council.

I do not know that there is anything further with reference to our legal position that I can refer to with any particular enlightenment to the Committee. If there is anything further in that regard that you think I can answer, I shall be very glad to do so.

MR. DREW: Q. It is just one point that it would seem to me we should have clear, as to whether there is a misunderstanding or not. In this report of Mr. Vining's to the Hon. Mr. Cote, he speaks of two mills which are completely exempt, or two companies which are completely exempt; and then he speaks of the position in regard to over-tonnage in respect to other mills, and under-tonnage in respect of particularly the Abitibi. As I understand what you now say, your position is that you are not actually accepting any proration terms, so far as this Committee is concerned. Is that your position, or is there any modification of that. I do not mean this Committee which is sitting here, but the committee of three appointed by or for the Government, the Vining committee.

HON. MR. NIXON: That was never established as to the way that committee was appointed.

MR. DREW: I understood it was by co-operation between the Association and the Governments.

HON. MR. HEENAN: It was left as it was appointed by the Association, for the Governments.

HON. MR. NIXON: The governments have nothing to say as to the appointment of that committee?

HON. MR. HEENAN: Both the provincial governments, of Ontario and Quebec, accepted that committee as an advising committee, advising as to the condition of the industry in relation to the tonnage that each company was to ship. Their duty ends there.

HON. MR. NIXON: We do not appoint that committee.

HON. MR. HEENAN: They were appointed by the Association, but we accepted them.

MR. DREW: I thought it was reasonably clear that this committee was appointed not by the governments but with the approval of the governments of Ontario and Quebec.

HON. MR. HEENAN: Colonel, that Committee has been in existence for a long time, and then when we got into the prorating end of it, which company was to ship so much, then we accepted their figures as correct, their report to the Government monthly, we just accept their word for it.

THE CHAIRMAN: Mr. Vining, at page 1212, says:

"I want to touch on this because here is the second stage of the committee, how it happened to continue as an instrument of prorating. The governments had stated that the industry itself must attend to the procedure involved in distributing tonnage. That is the actual mechanics. But they wished to receive reports from which they could ascertain whether their policy was being properly carried out so that measures of enforcement could be applied, if necessary. In order to provide for revision of capacity ratings from time to time, revision was necessary because new equipment was put in and the condition of mills changed. The manufacturers decided to retain the services of Mr. Paul Kellogg, the engineer who had been in charge of the original capacity survey."

MR. DREW: I am not going to argue as to the extent to which the Government approved or otherwise of that committee. So far as that is concerned, the Government accepted the existence of this committee, and from that committee they received reports with which from time to time, they have dealt with certain industries in this province.

My only point there was, I was referring to the Vining committee, not to this present committee.

WITNESS: Yes.

MR. DREW: As I understand it, you state positively that your company co-operates with the committee in every way possible, but your understanding is that you were not bound by the prorating arrangements of that committee. Is that right?

A. That is right. We feel we cannot, by the basic covenants which made the reorganization possible.

HON. MR. HEENAN: Would it not be better if you said that within the contracts, which were endorsed by the court, you are not a party to proration of that tonnage?

A. Yes, that would clarify Mr. Drew's question.

Q. If you went ahead and took many more contracts, in addition to these, you would not say the same about them?

A. No, our position then, I presume, would be that, working in co-operation with the committee and the Government, the company would be governed to a great extent by the wishes of your government.

HON. MR. NIXON: Of course the Government is interested in the proration.

MR. COOPER: Q. Is your company tied up with the old agreements?

A. Yes, in the first place there was the right of extension of those contracts, in the amounts of the contracts, which would enlarge them considerably; and also under the original covenant, that was approved of by the courts and consented to by the Government, the company had a right, with the permission of 51 percent of the publisher customers to increase their contracts to the maximum capacity of the mill.

Q. You got that 51 percent, I presume?

A. Oh, yes.

HON. MR. HEENAN: I wonder whether at this juncture it would be well to review the picture, so you would see the other side of it. There is not very much difference between Mr. Rowe and myself, but there is a story behind it.

I am glad that the Committee is getting a taste of this, because I have had it on my shoulders for quite a while.

MR. DREW: We are now talking about the Leduc committee, not the Vining committee?

HON. MR. HEENAN: Some part of the discussions,—Mr. Rowe was not directly in touch with the negotiations at that time, —he was boss of the great Conservative Party, at that time, and was not much interested in newsprint.

THE WITNESS: It was prorated too!

HON. MR. HEENAN: So that the Committee would be aware of how that came about, I think it would be well to review it in a way.

You have heard the various witnesses tell how the industry was brought out of its difficulties. The heads of the industries could not trust one another, and they had to have the Government police the companies,—

MR. DREW: Are you suggesting that they turned to somebody they could trust?

HON. MR. HEENAN: They did, and I am glad to sit here and say that their trust was well placed.

It was really over this Great Lakes Paper Company that first brought it to a head, or the McLaren Paper Company in Quebec went over to the Great Lakes customers, and we called it a steal at that time, but we have modified our language, and took about 30,000 tons of contracts that the Great Lakes Company held, at a reduced price. I do not know any other word that fits any better than "stolen" but there are objections to it.

Then the Great Lakes Company, or at least the National Trust Company, which at that time was operating,—it was evident to the Government that they would have to shut up the Great Lakes Mill because they did not have enough tonnage left to operate the mill.

Well then, the National Trust Company at that time was appealing to the Government they were going to have to close their mill because they didn't have sufficient tonnage left to operate their mill and it was at that time I went to Quebec and met Mr. Taschereau and he agreed it was time there was some agreement between the industry and the governments. He said he had tried this and failed because they didn't have sufficient co-ordination amongst the industry. So they passed the hat and got it up to pretty close to 20,000 tons and that left the Fort William mills of the Great Lakes operating.

So it was at that time that we had to have legislation if we were to have any hand in this at all, otherwise the industry would take no more notice of the governments than they would of one another. The National Trust Company decided to go in receivership under this plan. They had how many publishers' contracts?

WITNESS: Twenty-three original contracts.

HON. MR. HEENAN: And they agreed to give them their tonnage for a period of ten years with a further extension of five years at the end of the ten. The industry got alarmed at the situation because of this dividend which was they claimed, and there is no doubt about it, a profit reduction—\$2.10 or \$2.20 a ton reduction. The industry of Ontario fought that situation. It came up to the eleventh hour, the National Trust Company made a new contract with these twenty-three publishers. Don't forget the price of newsprint had started to go up; I think it was around about \$41 a ton, it had been down to forty. But in the event of the court not giving approval, and I think they said the Government also, to this new move of reorganization the Great Lakes Paper Company

undertook to supply these publishers anyhow at a price of \$39 a ton. Everybody got alarmed at that because it goes without saying it was done for the purpose of scaring everybody, and after further negotiation it was agreed that they would not pay this dividend until the price of newsprint reached \$45.30 in Toronto, and it is on those points that the disagreement rests as to whether or not they meant proration. There is no doubt about it, what was intended, they had these twenty-three publishers with their contracts over in the United States, they agreed to this \$45.30 and before they could go to the court this \$39 price was going to go into effect. We didn't have time to go and see the publishers and talk the matter over. Well, that put proration in, or as I wanted to put it, take from and give to other companies but work on an average, but working in harmony in the industry would do the same thing. In other words, if they would spell it outright they mightn't get the approval of these twenty-three publishers and that would bring it down to \$39 a ton. I accepted that, unfortunately, realizing the difficulty we were going to be up against, and you mustn't forget proration then was much more distasteful to the United States than it is to-day—it is distasteful enough yet. So we accepted this word "harmony" in place of proration and there is where our difficulty rests. So that Mr. Vining is right in one respect, the industry represented by Mr. Vining and the heads of the industry, the Abitibi and all these fellows, were around there in these discussions. They may not have been taking part in the discussions, but I would tell them how we were getting along, and the way that I wanted there was going to be no difficulty about it at all, they would give tonnage up when they were over the average and take tonnage when they were under the average, and so on. So I took the word "harmony" and I found out as we got along a little later and Mr. Carlisle was made president of the new company he never heard of the word, it wasn't in his dictionary at all, and I found out later from some of the directors they had never heard of such a discussion. So there you are, that is how the mixup occurs. I thought the Committee would be well to have the whole story and see how it was built up from one little start to where it is to-day. I still believe that some arrangement can be made with the Great Lakes to put them into proper position without breaking their contracts, by allowing them to fill those contracts. The rest of the tonnage if we are going to keep prorating over and above this contract tonnage should be prorated.

MR. DREW: Well, then as I understand it, you have said your recollection is that whether you call it proration or call it harmony or call it adjustment between the companies you understood that there was to be some adjustment of tonnage.

HON. MR. HEENAN: Yes.

HON. MR. NIXON: But Mr. Rowe says they are already giving them 38,000.

HON. MR. HEENAN: Q. Yes, but it is fair to say that that is over and above the tonnage you have already received in the court?

A. Yes. It was tonnage that we could allocate by straining every possible point without the outright violation of contract.

MR. DREW: Q. Just to close that point out, having regard to the other

evidence we have had, subject to the interpretation of your own company's position in connection with this specific contract have you any objection to the general proration as applied to the industry? I don't want to ask you a question that embarrasses you as head of this company, but the thing we are discussing is what recommendations should be made as to the relationship of the industry to the individual, and I think as the head of one of the industries we should have your opinion whether it is the fair way to handle the situation?

A. In answer to that I wish to point out, and prefer that you accept my observations as one to some extent not directly involved in the proration policy, because of the reasons I have outlined. Therefore my observations are merely my individual opinion of proration: I believe it has helped to divide the output of Canadian mills probably to the social advantage of a lot of different communities. I believe it can also be credited with having maintained reasonable price protection against the dominating influence of powerful newspaper purchasing corporations during a serious depression. I believe it might be classified as a more or less temporary expedient to meet the influence of these powerful interests that had pressed the price down to ridiculously low level. I think it can be said to be more or less of a relief measure in a time of depression.

For the present I don't think either of these problems is as serious as when proration was inaugurated. Conditions are improving. There is not the same danger from powerful purchasing interests upsetting the market as at that time. On the other hand I think the proration policy cannot be credited with selling any additional newsprint, which is essential to the progress of our industry. Neither has the proration policy assisted in improving our good-will position with our present and prospective customers in the United States of America. I think this is evidenced by the fact that during the time of depression and during which time when we were sadly lacking in sales of Canadian newsprint certain developments have occurred that challenge the serious consideration of not only your Committee but everyone interested in the newsprint industry. During this period that I refer to, I think this is common knowledge to you all, that southern mills have been established and a substantial expansion of newsprint output from Scandinavian countries. During the same period I refer to the United States of America have increased their imports from Scandinavian countries until last year they imported 769,000 tons of bleached and unbleached sulphite, 548,000 tons of sulphate and 300,000 tons of newsprint from overseas markets. I therefore feel that is highly essential that we develop our efficiency in both the direction of sales and production to meet the serious aftermath of the war that these tendencies would indicate. In my own personal observation again I would say that I wish to merely point out that the proration policy has done nothing to combat any of these tendencies. It has been since proration has been in practice in Canada the American Government has assisted with public funds certain newsprint manufacturing developments in that country. In my opinion an interprovincial joint control of output and sales might very easily invite further retaliation from the United States Government either in the form of further subsidies to such companies or even more damaging customs regulations. In other words I do not believe that state control of a major export product competing in a world market can possibly strengthen our good-will relationships with foreign customers or indeed our general trade relationship and understanding with the country itself.

In the face of the opposite view I believe our efforts should be directed towards

the lowering of our costs and the widening of our sales rather than any policy tending to maintain high costs and restriction of sales. To each of these I believe it will require an initiative that has not to say the least been encouraged by a proration policy. I think that summarizes my own somewhat carefully considered opinion of proration.

MR. COOPER: Q. What have you to suggest as a substitute that is any better?

A. Well, not feeling legally capable, as representative of a company, to enter into the present prorating policy, I would be reluctant to suggest what might take its place. I am only pointing out some of the weaknesses that I believe are inherent in the present policy and some of the advantages that we have achieved from it.

MR. DREW: Q. Summing it up, your opinion is that the best way to meet the competition that is bound to develop after this war is to increase the efficiency of the industry rather than putting an umbrella over it?

A. Yes, sir. That is about as neat as you can put it.

HON. MR. HEENAN: Q. Using Col. Drew's words, if there wasn't an umbrella put over the industry and kept over it what is there to stop them going out and cutting prices again and putting your company into bankruptcy again—they did that once before?

A. Yes, sir. Well, I think that whether we can anticipate with any pleasant satisfaction or not that that day is rapidly approaching when we are going to be forced to sell newsprint for less than we have sold it for if we are going to meet the competition that is promised us as the aftermath of the war in such situations as we have and I think an unnatural protection of what might be termed over-capitalization and obsolescence —

MR. COOPER: Q. Why would the competition after the war be any greater than it was before?

A. Well, if it is as great, Mr. Cooper, it is very serious, unless the market is substantially enlarged.

HON. MR. HEENAN: Q. Suppose there was no umbrella kept over this industry, Mr. Rowe, what is to stop the various manufacturers going out and doing the same as they did before, enter into contracts with publishers with what has been termed the most vicious clause that was ever included in any agreement, that is the interlocking clause to say that they agree to take tonnage from some manufacturer provided that if there is anyone else in that same territory has got it at a reduction then theirs will automatically be reduced and bring it right down from \$50 a ton to about \$40? You see there is one point that I didn't make there, if you would realize the seriousness of the situation: these interlocking contracts so-called had this vicious clause in them. When the National Trust Company took the Great Lakes out of receivership the price of newsprint for the first time in the year started to rise and got from forty-one to forty-one-fifty or something like that. The agreement with the

Great Lakes was to supply these twenty-three publishers at \$39 a ton. Now that ninety-ton mill as it was at that time, the product of that mill sold at \$39 actually put down the price of three million tons in Canada, so you see how serious it was; that is \$6,000,000 difference in Canada at \$2 a ton. That is why I am asking, Mr. Rowe, now if there was no umbrella held over it what is to stop them doing that same thing again, scribbling the price away down till everybody is in receivership?

A. That is somewhat difficult to answer or to anticipate. It is, however, affected by the old law of supply and demand and I realize that it has worked both ways so far as the newsprint industry is concerned because I can well recall before I was connected with the Great Lakes many years ago when newsprint was selling for over a hundred dollars a ton and I feel that probably it is due to the fact that I have been accustomed to selling some raw products for what the customer would pay, and I have seen some experiments in wheat and I have observed some in the newsprint industry and can well recall that in both instances we have had the extreme high and in each instance we have suffered the extreme low and I am still very doubtful if the artificial means of state control as you might term it can give us long-term stability and progress. The tonnage that I have referred to of sulphite and sulphates and newsprint that the United States of America have bought during the years that our sales were falling is to my mind, again I would say, a challenge to our efficiency and to our costs. We have boasted for many years of the bountiful raw resources that we have, the great waters and great water powers, and it is no reflection of a compliment on our Canadian newsprint industry if we cannot compete more effectively than to allow that tendency to develop to where our mills are so far below capacity.

MR. DREW: Q. You say the Federal Government in the States at the present time are supporting this southern pine development, are they, financially?

A. Yes, sir.

HON. MR. HEENAN: They loaned them \$3,000,000. But if I may say so that is no evidence that the United States Government or the United States investors wouldn't have dealt with Ontario anyway whether we had proration or not.

WITNESS: I wouldn't want to charge that it was a straight retaliation on our proration policy.

MR. COOPER: Is that all on that point?

MR. DREW: Yes.

MR. COOPER: Q. Where do you get your power for your company, Mr. Rowe?

A. Ontario Hydro-Electric.

Q. Your contract is direct from the Hydro-Electric Power Commission?

A. Yes.

THE CHAIRMAN: Q. Is it with the Provincial Hydro-Electric or the local commission at Fort William?

A. No, it is with the Provincial—direct with the Commission here.

MR. COOPER: Q. Do you care to tell us what proportion of your cost of production is power?

A. I would think, Mr. Cooper, approximately \$4 or \$4.25 a ton.

Q. Does your company export any pulpwood to the United States?

A. No, sir.

Q. It does export sulphite, does it?

A. Yes, sir, some.

Q. We have had quite a discussion about the advisability of the policy of exporting pulpwood to the United States. What is your opinion of that?

A. Again, not being responsible to a company that is in the export business, I would preface it by saying that my own personal observations are that I think so long as we have unemployed men and over-mature trees, a limited degree of pulpwood export is sound both economically and from the social interests of different communities although during that our Government might be well advised to achieve the objective of a gradual limitation of that export and subsequent utilization of these raw resources here in Canada. I think there is a tendency in that direction that has been continued right down through the years borne out by the fact that to-day we export only about five per cent of the United States' requirements of raw pulpwood and we export from sixty-five to seventy-five per cent of their newsprint requirements. I think it would be a hardship at the present time to prohibit the export of pulpwood entirely as I think even the consumers of the raw pulpwood who assure the Government that it is not being used in the manufacture of newsprint in the United States—is that no so, Mr. Heenan, they assure you it is not being used in the manufacture of newsprint?

HON. MR. HEENAN: Yes.

WITNESS: That they might very well secure it from the west coast resources of the United States or probably from the southern district, the small quantity that is shipped, and I think especially now under war conditions when the exchange situation is as it is and the unfavourable balance of trade with the United States of America that it helps considerably with other exports of commodities to improve our very necessary purchasing power with the country that we have to buy so much from. I think though that there should be a steady effort towards the gradual limitation of that export and the encouragement of its utilization in Canada.

MR. COOPER: Q. Where do you get the pulpwood for your mill, Mr. Rowe?

A. Off the Great Lakes owned limits, Mr. Cooper, mostly.

Q. You don't buy from settlers up there?

A. Oh, yes. Chiefly from the limit of the company but some from the settlers. The company has adopted the policy of purchasing from the settlers a proportion of their requirements similar I believe to what most other companies do, from the local settlers. In the case of the Great Lakes Company I think we purchase from settlers amounts of between twelve and fifteen thousand cords per year.

Some small lots are purchased from independent operators besides settlers, but the chief supply is from the Great Lakes limits—Black Sturgeon limits, chiefly, so far.

MR. COOPER: That is all the questions I have, Mr. Chairman.

THE CHAIRMAN: Any further questions?

HON. MR. NIXON: Q. What do you say you make in addition to newsprint?

A. Just unbleached sulphite—news grade unbleached sulphite.

Q. Do you use any other wood in that or is it the same?

A. It is practically the same wood. I think in that regard that spruce is considered to make better sulphite and therefore about the same grade is used by that mill for sulphite purposes as for news grade, chiefly spruce.

MR. SPENCE: Q. At what percentage of capacity are you operating?

THE CHAIRMAN: Their sales were 71.5 last month.

HON. MR. HEENAN: Q. Some months, Mr. Rowe, you manufacture in the winter and store and ship in greater abundance when navigation opens?

A. Yes, sir. And at the present time, to probably clarify the question you ask and also Col. Drew: Shipments last month were 71.5 but at the present time we are operating at greater capacity than that with the idea of storing certain quantities to ship later in the year, and it is a matter of operation planning, for it is at near capacity so far as operation is concerned.

MR. DREW: Q. Do you know whether that is common throughout the industry?

A. I don't know, Col. Drew. I presume where storage facilities would permit it would be the policy of other companies to manufacture sufficient for their general monthly requirements of their customers so that sufficient storage should be ahead in order to probably take advantage of water freight rates and so forth.

MR. SPENCE: Q. You ship more in the fall?

A. Late in the fall, November, in anticipation of winter requirements.

MR. DREW: Q. You mean that the production above your actual sales is more a question of taking advantage of the seasonal shipping facilities rather than anticipating higher orders?

A. Oh, yes, yes. Then in the winter months the same storage facilities are filled again to capacity for water shipment in the spring. We are not also unmindful of the promising prospects of some increased demand as well.

THE CHAIRMAN: All right, Mr. Rowe. Thank you.

WITNESS: Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Thompson, please.

Mr. Thompson, you are employed by the Department of Lands and Forests?

MR. THOMPSON: Yes, sir.

THE CHAIRMAN: What is your position in the Department?

MR. THOMPSON: Statistician.

THE CHAIRMAN: I understand you have certain figures to give the Committee.

J. B. THOMPSON sworn.

HON. MR. HEENAN: Q. How long have you been in the Department, Mr. Thompson?

A. Since February 2nd, 1925.

Q. You were secretary to Mr. Lyons at that time?

A. Yes, sir.

Q. And later secretary to Mr. Finlayson?

A. Yes, sir.

Q. And then made statistician?

A. Yes, sir.

HON. MR. HEENAN: Q. Mr. Chairman, in view of the discussion relating to conservation of exports and all that kind of thing I asked the Deputy to give instructions to Mr. Thompson to make a survey canvassing the pulpwood exported and imported so as to give the Committee an additional picture, better than we had given them up to the present time.

Q. And upon Mr. Cain's instructions you canvassed the different situations as regards export and import?

A. Yes, sir.

Q. Will you give the Committee the result of your findings?

A. Well, sir, the figures that result from the information we sought, some we had on file and some we supported by correspondence with companies that are operating in Ontario, and over a period of years it is revealed that —

Q. How many years?

A. Well, I have nine here, sir; the total of net exports for the nine years allowing for these imports is 226,058 cords, that is the total, and that gives an average over nine years of 25,117 cords per annum.

Over the five years the aggregate shown by the Dominion Bureau is 1,601,377 cords. The exports appear in the Departmental report, in 1938 there is a complete list of them; 1939, which I have here, could not appear, but all but the 1939 I believe appear in the 1938 report.

The exports of pulpwood from Ontario for 1939 according to the present figures—I don't think it will be necessary to revise them—are, from Crown lands 258,635, and from private lands exportable, wood normally exportable, 174,506 cords.

Over the period of the last five years, which I have checked very carefully on this, owing to the fact that statistics are hard to prepare and hard to obtain I had to form an estimate on the past year to get anywhere near it, but it jibes, and for 1935 for instance the figures would be 271,000 and in 1937 they went up to 418,000—these are odd figures, just approximations.

MR. DREW: Q. 1937?

A. Yes, sir. These are imports, Col. Drew, I am just explaining that during the years these figures vary and I have the net figures here to show what came into Ontario each year as against the total exports.

Q. Where would most of that export come from?

A. Oh, from the Province of Quebec.

Q. Have you any idea of what percentage it is roughly?

A. Well, what year do you want? It might vary from year to year. I would have to estimate that, I wouldn't want to make a blind stab at it.

THE CHAIRMAN: Take last year.

MR. DREW: Q. The last you have, 1938?

A. Well, 1938 the imports are about 270,000 and out of that 270,000 about 235,000 or 240,000 would come from the Province of Quebec.

THE CHAIRMAN: Q. And the balance from Manitoba?

A. No, sir. There would be some from Manitoba, it wouldn't be all from Manitoba.

MR. DREW: Q. Where would most of it on the statement come from?

A. Well, the most of it comes from Quebec.

Q. But I mean the most of the balance—British Co'umbia?

A. From the United States.

Q. For 1938 you have 32,000 coming from the United States, 236,000 coming from other provinces?

A. Yes, sir.

Q. How much of it do you say would be coming from the Province of Quebec?

A. Well, out of that 236,000 I would say that the bulk came from Quebec, there are small quantities from Manitoba, and I am not sure but I believe in that year there was some 200 and some odd cords from Saskatchewan but I would have to look that up to make sure.

Q. Where is that shipped from and to, mostly?

A. There are no customs barriers between provinces as there are between countries and the result is that we are limited in finding out things without going to a lot of expense and it is just hard to tie it up exactly where it comes from, but, for instance, the Booth Company at Ottawa bring a lot of wood in and I try to prepare a record. The Abitibi for instance at Iroquois Falls, I can prepare a statement to show just some of the flow.

Q. There is rather an interesting angle to that, Mr. Thompson, because you see it means there is a very large importation of pulp logs into Ontario from another province and there would appear to be only one of two explanations for that, either it is because the location of the mills makes it natural to draw those pulp logs from forest areas on the other side of possibly the very same river that the mills are on, or it means that there are lower costs in another province which make it possible to deliver that pulpwood here cheaper, and in considering this whole problem while it may not actually get into the question of pulp mill administration it would throw a rather interesting light on that, in view of the general theory, where that is being consumed and where it is being received from. You follow my point, do you, Mr. Thompson?

A. Yes, sir.

THE CHAIRMAN: Q. In the case of that wood coming from Quebec, most of it as I say comes from the company's own limits?

A. Yes.

Q. The Booths have very large limits on the Quebec side?

A. Yes, sir. Howard Smith for instance sell quite a bit of Quebec wood as I can show you here, I brought a few from the file.

HON. MR. HEENAN: Q. Ontario Paper Company?

A. Yes, sir, Ontario Paper Company. Ontario Paper Company here in 1939 got 138,000 odd cords and Howard Smith 66,000 cords.

THE CHAIRMAN: Q. I note, Mr. Thompson, there were 326,000 cords that came from the United States in 1938. Where would they go to?

A. Well, sir, I believe it goes to Fort Frances.

MR. DREW: Those imports, I understand, from the United States are almost entirely imports by the M. & O. Company.

A. That is my understanding, Colonel, but I haven't any —

HON. MR. HEENAN: I think that is right.

THE CHAIRMAN: And from Manitoba we got only 6,000 cords in 1938.

A. Yes, sir.

MR. DREW: Mr. Thompson, when we were getting evidence the other day in regard to exports, I noticed that we were given a figure of over 700,000 cords of exports from the Province of Ontario, and it was stated that those figures were obtained from the Dominion Bureau of Statistics. I wondered where the difference between those figures lies. Your total for 1938 is 631,000. Does that include Indian lands?

A. No, sir. I could explain that if I may be permitted to explain the workings of it.

Q. Yes?

A. The Dominion Bureau have access to the records of the Customs and Excise Department; consequently they have a complete record of everything that goes out of a certain area, or port of export or port of entry, as you may wish to call it; and our information comes direct from our own field staff. There is a system of clearances in order to control export pulpwood; and we get first hand information so far as the pulpwood that is leaving Ontario, from Ontario lands, but we have no record of pulpwood that leaves Ontario from Quebec or Manitoba lands, and that might apply to Saskatchewan. Anywhere if wood is brought through Quebec and into Ontario where there is no customs boundary and crosses Ontario and goes out at the border, presumably the clearance would be attached to the manifest and it would go, and, if it was not, it would not. So that there is a variation there which is very hard for us to break down.

Q. Would it be possible that the figures submitted by the Dominion Bureau

of Statistics, and which show nearly 100,000 cords more, might be based on figures of re-export?

A. Yes, sir, they might. We have compared the figures from time to time for years, and of course we established a long time ago—I can't tell you just when, because years go by and one is so much the same as the other—that there was this difference between our figures. But our figures are correct so far as Ontario is concerned, but theirs are not. Their figures do not reflect the accurate figure so far as Ontario's actual timber is concerned.

Q. You are satisfied, then, that yours are the correct figures in regard to export?

A. Oh, yes, I believe they are. They come from our field staff, and we have nothing to do with the customs excepting we issue these clearances under which the wood is permitted to cross the border.

Q. Can you think of any other explanation for the difference except the fact that included in the figures of export there may be some of the wood imported from Quebec?

A. Well, returns for statistical purposes come from different sources, and sometimes they are dated to-day and sometimes they are dated to-morrow. Then there is wood in transit maybe at the end of the month when returns are made up. There are different ways in which a variation of figures might easily be accounted for. And we just have to take the best we can get to make the real picture from the information that reaches us.

MR. SPENCE: Does the exporter have to purchase the clearance?

A. The clearance issues if the wood is exportable. The clearance is a recognition on the part of the Department that that wood is free to cross the border, and if it has not got a clearance it won't get across, if everybody does their duty.

Q. That question of mine had reference to the 25 cents a cord.

A. That is a different matter.

MR. DREW: Mr. Thompson, have you the figures of employment in the industry, both in the woods and in the mills?

A. Yes, sir, we have.

Q. Have you those with you?

A. I doubt if I have the figures you want in this file, Colonel. Each year, as the returns come in from the mills, we set up not the man days, just the number of men in the plant and in the bush by winter and summer. So we know just about what each one is doing. Then once a year the district foresters report to us, and we get a complete picture of the bush operations for that district for that year.

Q. Independent of the company?

A. Independent of the mills.

Q. Yes.

A. These are the licensed bush operators. And those can be set together for the purpose of this Committee or any purpose at any time.

Q. Could you do that reasonably quickly?

A. Yes, sir, I could get the up to date figures. As a matter of fact, in the report on page 16 the bush operation figures are given. But they do not include the mill figures. I have the mill figures, and I could provide a statement, for instance, to meet that.

Q. Could you supply a statement giving the corresponding years, for instance?

A. For the mill operations?

Q. You have prepared a statement showing the exports and imports; could you give us a statement for the corresponding years showing employment?

A. Yes, sir.

Q. In the various industries. I mean by that both mill operations and bush operations?

A. Yes, I could provide that.

Q. Then if you would prepare that so we can have it as a matter of record. The report does cover bush operations, but probably you have them for another year after the year shown in this report.

A. Yes. It is a slow process. You see, the operating season terminates with the fiscal year, but it takes time for the scalers' reports to get into district headquarters, and their joint returns have to come into head office and be checked and set up properly so that we can arrive at a figure so far as that kind of thing is concerned.

Q. Have you them for 1938 and '39 yet?

A. Yes, sir.

Q. Could you conveniently have those for us to-morrow?

A. Yes, sir, I can have them here to-morrow.

THE CHAIRMAN: I think we should file as an exhibit the statement from which the witness was reading.

EXHIBIT NO. 44, Filed by Mr. Thompson: Statement showing Ontario pulpwood exports and imports for the years 1930 to 1938 inclusive.

Q. Just one more question before you go, Mr. Thompson. Colonel Drew

was asking you about the difference in figures given in the 1937 reports and the figures given by the Dominion Bureau of Statistics. Is pulpwood from the Indian lands included in your figures?

A. No. We have nothing to do with that land.

Q. You do not know how many cords are cut from Indian lands in the Province of Ontario, you have no record of that?

A. No.

Q. So it would not be included in the figures given in the 1937 report?

A. No, sir. The Indian lands are separate and distinct. They are not Ontario lands.

HON. MR. NIXON: You are not asked to give clearances in any way?

A. No, sir. Our wood is a different proposition altogether.

MR. DREW: Just before we leave that, would it not be of value to have that information?

A. From the Indian lands?

Q. Yes.

A. If we controlled the Indian lands.

Q. Well, I am only thinking of this, that to complete the composite picture it is necessary to take into consideration all the lands on which timber is cut whether they be under the exclusive control of the provinces or of the Dominion?

A. Yes, sir, that is true. We have always felt, apart from that, that we should absolutely know about our own business, which is our own forests; and we kept very close tab on what was happening there so far as these figures are concerned, at least we tried to do that, so that we would have the picture of Ontario's wood.

Q. I would think it would be an advantage to have those figures available because it is very difficult to form an opinion of just how important the cutting on Indian lands really is unless these figures are before us. Have you any idea at all of what it would amount to?

A. We have the total wood that is exported out of the province each year by the Dominion Bureau which must include everything, including the Indian lands and what comes from Quebec—no matter what its source may be, there is the picture. I believe you said there was a difference of 100,000 in a year, which would all be included there.

Q. Yes.

A. At least, we know that much about it. To trace each cord, well —

Q. I cannot feel that there is such a complete separation between Indian lands and other lands, although it is true the Indian lands are under Dominion jurisdiction, because it all represents a part of that composite picture which it seems to me we should understand in determining the extent of exports from this province. After all, these Indian lands are among other lands which have to be controlled and protected by the provincial authorities; and I would think that not only the amount of the exports but the condition of those Indian lands are things that fit into the whole picture of forest control in the province of Ontario.

A. That is quite true, sir, but we know what the total is and we know how much of it comes off our land that we control; and, if we need to go farther, well, we can go farther.

Q. Yes, but you see what I have in mind.

A. Yes, I do.

Q. I understand you are merely acting in the capacity of statistician, but what I have in mind is this; for instance, drainage, fire hazard and all these other things enter into the question of the method of handling these Indian lands, and, while it is true they are under the jurisdiction of the Dominion Government, we in this province are directly concerned with whether the methods employed on these lands might adversely affect drainage conditions or erosion or any other factor connected with the Provincial Department of Lands and Forests. For that reason I would have thought that statistical information in regard to these Indian lands might have been of assistance to us.

A. Well, it might be of value. We have to pretty much stick to essentials, Colonel Drew, and it may be that that is essential. But so far as I know there is nothing to the prejudice of the Department of Lands and Forests in the holders or owners of the Indian pulpwood exporting it or how much they export. We could soon install machinery to provide us with a ready picture all the time if it became necessary.

THE CHAIRMAN: All right. Thank you, Mr. Thompson.

MR. COOPER: Mr. Chairman, Mr. De Wolfe undertook to file a certain brief when he gave his evidence. He is here to-day for the purpose of filing that brief. This is the brief, and he will explain what it is.

THE CHAIRMAN: Yes, Mr. De Wolfe?

MR. DE WOLFE: That brief was discussed in the evidence I gave on the 25th, and I said I would furnish it. I did not have it with me that day, so I brought it down. It is in connection with freight rates on pulpwood.

THE CHAIRMAN: Oh, yes. Then this brief will be filed as Exhibit 45.

EXHIBIT No. 45: Filed by Mr. De Wolfe: Brief concerning freight rates on pulpwood.

THE CHAIRMAN: Have you any further witnesses this afternoon?

MR. ELLIOTT: Mr. Draper has certain information that we requested, but we can call him later.

THE CHAIRMAN: Then we shall adjourn until to-morrow morning at 10.30 o'clock. We hope to be able to finish to-morrow afternoon.

At 4.30 p.m., Monday, May 6th, 1940, the Committee adjourned until Tuesday, May 7th, 1940, at 10.30 a.m.

THIRTY-SECOND SITTING

Parliament Buildings,
Tuesday, May 7th, 1940.

Present: Honourable Paul Leduc, K.C., Chairman, J. M. Cooper, K.C., M.P.P., Colonel George A. Drew, K.C., M.P.P., A. L. Elliott, K.C., M.P.P., Honourable Peter Heenan, Honourable H. C. Nixon, W. G. Nixon, M.P.P., F. R. Oliver, M.P.P., F. Spence, M.P.P., Dr. H. E. Welsh, M.P.P.

THE CHAIRMAN: Order, please.

I am in receipt of a letter from Mr. de Carteret, who was here the other day, reading as follows:

"Dear Sir:

On May 1st, when I appeared before your Committee, the Hon. Mr. Heenan asked me the following question:
(Page 1815 of Record):

"Have you any idea how many cords of settlers' wood are shipped annually from Quebec?"

My reply to the above question was incorrect, in that the figure which I mentioned of 1,000,000 cords, represents the approximate total of pulpwood exported from *the whole of Canada* to the United States during each of the years 1938 and 1939.

Exports of pulpwood to the United States from the *Province of Quebec*, as compiled by the Department of Trade and Commerce, Ottawa, as are follows:

1936.....	373,961 cords
1937.....	379,679 "
1938.....	233,328 "
1939.....	255,617 "

The figures just quoted include wood cut on private lands other than settlers' lots.

You may wish to have these corrections included in the Record.

Sincerely yours,

S. L. DE CARTERET.

I might explain this is a duplicate of a letter that was sent me by registered mail, and which has not reached me, but which I will file as soon as I get it.

Mr. Sensenbrenner.

F. J. SENSENBRENNER Called:

MR. DREW: Q. Mr. Sensenbrenner, just as a matter of putting the record in order, your residence is where?

A. Neenah, Wisconsin.

Q. And you are associated with what companies operating in Ontario?

A. Spruce Falls Power and Paper Company Limited, President of the Company.

Q. Yes?

A. Indirectly, Pulpwood Supply Company Limited.

Q. How long does your active connection with matters concerned with our forest products in Canada go back, Mr. Sensenbrenner?

A. 1920.

Q. And was that connection with the Spruce Falls?

A. Spruce Falls.

Q. How far back does your connection with woods operations, or development of wood products in the United States go back?

A. Fifty-one years—1889.

Q. And that began where?

A. At Neenah, Wisconsin—in Wisconsin.

Q. You have been constantly then, associated with Neenah, Wisconsin, conditions for fifty-one years in the production of wood products of one kind and another?

A. Paper and pulp.

Q. Now, Mr. Sensenbrenner, rather than starting in by a series of questions with regard to certain specific matters that I have in mind, I would be very glad,

if out of your length of experience, you would tell us something of the development of the pulp and paper industry, if you feel like doing that, in your own words, and making any comments which you may have to make in regard to it, because, while your residence is in Neenah, Wisconsin, your industrial activities have been associated for some time in Ontario.

Just before I leave it at that point, may I say this, that we have been considering this whole problem from various aspects here, and there seems to be fairly general agreement that, although an effort is being made by the industry to right certain conditions which have caused difficulty, much remains to be done, and that there are certain diseases peculiar to this industry which need some remedy, if that remedy can be found, and if you would prefer that I should ask you a series of questions at the outset, rather than doing it that way, I would very gladly do so, but it occurred to me, in view of your long association with the industry first of all in Wisconsin, but also now in Ontario, that you might possibly prefer to describe your contact with that industry and the developments that have taken place, and give some suggestions as to ways in which, in your opinion, it may be improved, both from the point of view of the man working in the mills and the investor whose money, after all, is necessary, if these industries are to continue?

A. I would be very glad to move along the latter course, and am glad that you suggested it.

While I was away on holiday throughout the first session of your Commission, I was informed on my return, that Pulpwood Supply Company was the subject of considerable discussion, and some two weeks ago, I think, or two and a half weeks ago, I wrote to the Honourable Chairman of your Commission offering to come up here, after calling attention to that fact, and testify as to that particular interest and perhaps from that branch off into our Spruce Falls situation, which might cover part of the general ground you have suggested.

As to Pulpwood Supply Company: In September, 1936, in passing through Toronto on my way to Kapuskasing, I called on the Minister of Lands and Forests, Mr. Heenan, in accordance with my general custom, if I happen to be in Toronto to transact business here, or on my way north to Kapuskasing, I will call at the Parliament Buildings to pay my respects. The main situation at that time was, that he told me they had an area of land, the Long Lac concession so-called, the agreement for which had been executed some twelve or fourteen years prior, but nothing had been done with it, because of its inaccessibility, and he made certain proposals for my consideration as to taking over that concession, subject to the privilege of exporting some of the wood, and that it involved the provision of a waterway to get it down to the lakes. It didn't appeal to me, but he asked me to give it consideration while I was on my way to and up at Kapuskasing, and to call in on my way back. We had some further discussion, at which, in very general terms, the conditions under which we might take that area over were outlined. I told him I would go home, talk it over with some of our people, and after we had reached a tentative conclusion, I would come back to Toronto and see if we could work out the details of an agreement. I did come back after the lapse of a week or ten days, and we finally worked out an agreement, which among other things, provided for the right to export not less than 100,000 cords of wood per year. It provided for the creation of this waterway to make the floating of the wood down possible.

In the course of the discussion it was suggested that the estimated cost of providing that waterway would be somewhere between three and four hundred thousand dollars.

After we had worked out the agreement, reduced it to form, I took it back to Wisconsin with me and interested some of the other paper manufacturers in Wisconsin and one or two in northern Michigan to associate themselves with us in the undertaking.

Early in 1937, I don't remember the exact date or month, I was called to Toronto and informed—this was, mind you, after I had committed these other Wisconsin and northern Michigan paper millers to associate themselves with us in the enterprise—that owing to change in the conditions we would have to submit to an amendment to the agreement. The amendments proposed provided for the right to take out an amount of wood not in excess of 100,000 cords; it provided for re-leasing during the original concession about 800 square miles. It provided for the building of a chemical pulpmill, sulphite pulpmill, that is to start the building of it, by September 1st, 1939, subject, however, to the condition that if the waterway was not completed in time to enable us to operate in the timber the date by which we would have to start building the mill would be automatically extended. It provided further that we would have to amortize the cost of the creation of the waterway at a stipulated amount of \$300,000 and at the rate of five percent per annum, to amortize it at that rate and on that basis, and to pay interest on that sum of \$300,000 at the rate of three percent per annum.

After the execution of that amendment of the agreement I took it back to Wisconsin and either five or six of the paper companies that had associated themselves with us in the enterprise and had committed themselves to it had dropped out because of the change in the terms of the agreement with the Government.

I succeeded in inducing two other paper manufacturing companies not located in Wisconsin or Michigan to join us in the enterprise and we proceeded with it.

MR. DREW: Q. So that when that point was reached, Mr. Sensenbrenner, who then were the interested parties?

A. How is that?

Q. Who then were the interested parties at that moment, Mr. Sensenbrenner?

A. The Kimberley-Clarke Corporation, Meade Corporation of Ohio, Hammermill Paper Company of Erie, Wisconsin, the Wisconsin River Pulp and Paper Company and the Nekoosa-Edwards Paper Company.

We have been manufacturing sulphite pulp at our Spruce Falls mill since 1921 and in our Wisconsin mills for a longer period than that, but basing it on the experience of the Spruce Falls mill from the time we started manufacturing at that plant to the present time over the entire period we have not made a dollar of return on our investment. In fact we lost money. The experience

we had in our Spruce Falls mill I think was not different than that of the chemical pulpmills in Canada pretty generally, and it was due to the fact largely that in European countries, particularly the Scandinavian countries, they can produce pulp at a much lower rate than we can.

I am told on pretty good authority that the average wage rate in Norway is thirty-two cents per hour, Sweden thirty cents per hour, and in Finland sixteen and a half cents per hour, as against an average rate of sixty-four cents per hour in Canadian mills.

Then from the demoralized exchange situation due to going off the gold standard, in 1931 I think, that created havoc too among the Canadian as well as the United States pulp manufacturers. As an illustration: Swedish exchange in terms of the United States money, or United States money and at that time Canadian money too, although their exports are chiefly to the United States, Swedish money in terms of United States money, or United States money in terms of Swedish money was at a premium of forty percent. They could undersell Canadian and United States manufacturers for shipment to United States market twenty percent of their cost; they could undersell their cost twenty percent and still make a profit of twenty percent. They were actually delivering sulphite pulp at Manitowac and Green Bay, which are ports near Neenah, Wisconsin, the Fox River Valley so-called, at \$28 delivered, which was from ten to thirteen dollars per ton less than the cost of manufacture in the United States, and probably practically that in Canada.

The question may be asked why in view of that condition we submitted to the amendment of our agreement with the Government and went ahead and built houses, camps, bought equipment and the like. Some of you gentlemen will remember—it may have been disclosed in the testimony which has already been given here—that there was a bulge in the price of sulphite pulp late in 1935, 1936, and it extended into 1937. We hoped that in view of that bulge it might prove to be permanent, that general business conditions especially in the States, who are large buyers of pulp from both Europe and from Canada, might continue at the rate of late '36 and '37, and that we could make good on the provision of our contract requiring us to build a pulpmill beginning with September, 1940.

As you gentlemen know, a secondary depression struck the United States late in 1937 and we have not recovered entirely from the effects of that up to date. Meantime has come the war. I am going to touch upon probably what is prominent in the minds of you gentlemen, and that is whether or not we are going to start building that pulpmill September 1st, 1940; that is the time that we ought to start building under the terms of the contract; and it may be assumed that because of war conditions and that there is another bulge in the price of sulphite and chemical pulps generally that we ought to do it. I have no faith that the present conditions in the pulp market will be maintained after the war than that from 1921 to 1939 we made no profit in our Spruce Falls pulpmill.

Besides, to build a pulpmill under present conditions of high cost of equipment, high cost of buildings, we would probably require a year and a half to two years, because of delays in delivery of materials, and probably be subject

to an investment of fifty to one hundred percent more than if the mill was built in normal times.

You have had in this province, one experience of a mill that was promoted and started to be built, and it is well along the way, that it was made possible to finance because of this temporary bulge in the market, which it was expected would be continued and be permanent, and the mill is not in operation to-day.

As an illustration of what you will likely be up against in the way of delayed deliveries, increased exchanges and so forth under present conditions, and they will undoubtedly grow worse as time goes on, we bought two idle paper machines from a mill located in the Province of Ontario, dismantled them and shipped them to Kapuskasing, and are reassembling the two machines there, making one machine out of them, we are going to use it as a drying machine. The investment in that second-hand machine reassembled and rebuilt will be \$200,000. Some of the electrical equipment we have bought in this province and some of it in England, which will delay, so far as we can forecast now, the starting of that equipment about three months, and we are not certain about that, and meanwhile I fear that the conditions will be worse rather than better, both as to deliveries and as to costs, if we should undertake to start building that pulp mill beginning September 1, 1940. I am going to touch upon that situation a little bit further, as well as the export question, which I understand has been a prominent subject of discussion at the hearing, but I would like to go back to 1920, when we first became interested in an enterprise in Canada:

During that year we acquired a concession that had been granted to others some three or four years ago; we paid them something for the concession, after we had secured from the Government some amendment to the terms of the agreement, as to which our predecessors in ownership were in default. Our purpose was to build a sulphite pulpmill of 115 tons capacity, and we did build that pulpmill. We operated it four or five years at a substantial loss, and became convinced that we needed to expand the enterprise by the addition of a paper mill, if we were to create any hope of making it a successful enterprise. After looking the situation over, I approached Mr. Ochs of the *New York Times*, we having supplied them with grades of book paper for a number of years before that, so that I was quite well acquainted with him, and I asked him if he would be interested in joining us in expanding our enterprise up there, to include a four-machine paper mill and the development of the Smoky Falls waterpower, to insure to the *Times* for a long time in the future, certainty of supply and a good quality of paper. I said to him that I felt that because of our long experience in the paper business, we could give him a quality of paper that would be second to none manufactured on the North American Continent. The assurance of his supply over a long period of years had strong appeal to him. It took us about a year after I started the discussion with him to work out the details of an agreement, and especially because it involved the securing of an additional timber area, to justify the building of a plant of the size and with the capacity suggested. We finally secured the added area of timber and executed an agreement, and I may say that within twenty-four hours after executing the agreement between the *New York Times* and ourselves, we made a contract for the building of a mill. The plans contemplated the development of Smoky Falls waterpower with seventy-five thousand horse power installed capacity. As the falls were located fifty miles north of the Canadian National Railway, on which

line the paper mill is located, we were obliged to build fifty miles of railroad. The first thing we did was to build this fifty miles of railroad, to enable us to transport men and materials down to Smoky Falls. When the power development was well under way, we started building the paper mill, enlarging our sulphite pulp capacity and to build a town. The estimated cost of the undertaking was about \$26,000,000; we actually spent \$31,000,000, because we went into town development on a much greater scale than we had contemplated, and in addition to that our estimates were exceeded considerably.

I think we can claim, without fear of contradiction, that we have created a model town. It has all of the educational, religious, and recreational facilities of a town of much larger size, and located near populous centres.

We have a town of 3,800 people, four and a half miles of concrete paved streets; every home is supplied with filtered water, electric light, and has a sewer connection.

We have a fire-proofed hotel of 110 rooms; a hospital of 65 beds, which, so far as equipment of the hospital goes, is not second to the General Hospital here in Toronto,—in fact, they wrote the specifications for the equipment.

We have a community building housing bowling alleys, moving-picture show, restaurant and lunchrooms; we have bowling on the green, tennis courts, hockey and curling rink, and a golf course.

We, perhaps, spent more money up there along that line than on the face may seem justified. In fact, we have an investment in the town property, including houses,—and we were forced to build the houses,—of upwards of \$3,000,000. And, in passing, I may say that the investment in town property results in an annual loss of from \$135,000 to \$150,000, that is standard.

Q. So that your experience is not different from the common experience at this time?

A. Not different; but we have had that right from the beginning. But Mr. Ochs and his associates enthusiastically shared our feeling, that in asking people to go out into so remote a section and so far removed from populous centres, that to induce people of the right type to come up there and to make them contented to stay, we ought to provide the facilities for their spiritual and healthy recreation and education, as good as they can get in most populous centres, that is, towns of 15,000 to 20,000.

In fact, Mr. Ochs and his associates shared our feeling that the management of an enterprise, and especially if located in a remote section, should be concerned not only to do their best to get profits out of the investment directly, but to do the things that will make everyone in their employ, from the boss down to the humblest worker, proud of his job, contented, and strive to do the best to co-operate with the management to make the enterprise successful. So that we do not regard the investment we have made in the town of Kapuskasing, which may be for the comfort and welfare of our people up there, as unreasonable.

You may be interested in knowing how the money was provided, because

we did all this thing at one time; we did not do it piecemeal spread over ten years. The money was provided right at the beginning.

The entire investment, as I said before, was about \$31,000,000. Except \$13,000,000 of that money, which was provided from the sale of bonds, the *New York Times* and the Kimberley Clarke Company provided every dollar of it; and the bulk of their money was provided and all of it was spent before one dollar of the proceeds realized from the sale of bonds was used.

In addition to that, despite the fact of our prior investment, we took secondary securities for our investment; the bondholders, of course, got the first security. The bonds were a serial issue maturing at the rate of \$1,000,000 a year plus interest at five and a half percent.

You gentlemen can imagine what a strain we were under to meet those payments, in view of the depressed condition of the newsprint industry,—\$1,000,000 per year, plus interest at five and a half percent.

I am proud to be able to say that we never defaulted, nor asked for extra time on the payment of a single dollar of obligation that Spruce Falls incurred, either on bonds, interest, or current obligations.

It is quite an unorthodox method of financing an enterprise of that kind, I take it, compared with the usual method of financing especially of the newsprint industry in this country, or any country, for that matter, but particularly here; because with a grant of timber by the Government, a lease of waterpowers at reasonable rates, the grant of timber not requiring any cash investment to protect the investment, in structures and equipment, furnished a base for the sale of securities to the public. I find no fault with that, except I want to emphasize the difference between the investment by the *New York Times* and ourselves, which practically made it impossible for any investor, no matter whether he was a Canadian or a United States investor, to lose a dollar, because of the investment of so substantial an amount of our own funds in the enterprise, which was satisfied by the issuance of secondary securities, the bonds having the first lien.

I may say in that connection, too, that to-day Spruce Falls has not a dollar of securities in the hands of the public, not even bonds. It three years ago refunded the remainder of the bonds outstanding, by a term bank loan,—a five-year loan; so that to-day there are no bonds in the hands of the public; and the total debt owing to the bank under that term loan amounts to \$4,000,000.

Q. I do not want to interrupt your train of thought, Mr. Sensenbrenner, unless it is all right with you?

A. Yes, it is all right.

Q. But I would like to interject a question at this point,—is that satisfactory?

A. Quite, sir; it is all right.

Q. What impresses me so much about the statement you have just made

is this, that with a company building at a time when building costs were not low, and in fact, as you say, the actual cost of a large investment, you actually succeeded in paying off something like \$11,000,000 of your capital obligations, that is net, because you owed the \$13,000,000 of bonds, and you retired the bonds by a bank loan,—

THE WITNESS: I want to make a correction there, \$4,000,000 of bank loan, and 1,000,000 to the Kimberley-Clarke Company. We took some bonds at the beginning. There are \$5,000,000 still outstanding.

Q. Then in that event you have actually paid off \$10,000,000 in obligations in that period of time,—that is correct, is it not?

A. Yes.

Q. What I have in mind is in no way a reflection upon this company of yours, but on the contrary. What strikes me is that you have been able to do something which seems to be the very reverse of what other companies have been doing in the same period. Can you explain why that is possible?

A. One item that perhaps would be a reason is that we did not have so heavy an interest load in proportion to the value of the total investment. Do I make myself clear?

Q. Yes.

A. It is one thing to incur interest obligations for the building of a plant and the equipment, using the timber and water lease as the base for selling the security; and quite another thing, so far as the interest load is concerned, if sixty percent of the capital is provided by the owners, as in this case.

In other words, supposing we had used our grants of timber and of water power as the base for selling securities to the public,—and there is value there, and I have no fault to find with that, although it may be questioned whether the sale of securities should be based upon those concessions solely, and whether or not the promoters should not be required to put in a substantial amount of their own money into the enterprise before selling securities to the public.

But, supposing our entire money required, \$31,000,000, had been interest-bearing securities sold to the public at five and a half percent, why, the interest load, for one thing, would be a hundred percent greater than it was in our case. That is No. 1.

Secondly, and I hate to say this because it may seem like bragging, we have been paper manufacturers for a good many years. We started in in 1872 to make newsprint paper out of old rags on a machine of two tons capacity. We made newsprint as time went on all the time until 1916, when we shifted from newsprint onto other grades of paper, some of which we had been making in some of our other mills. I am talking about our interests in Wisconsin. And we quit making newsprint altogether; but we had had a lot of experience in the manufacturing of it, and much experience in the manufacture of other grades of paper.

We maintain a research department up at Kapuskasing for the purpose of finding ways and means for the reduction of costs and improvement in quality, and saving of waste. And we have a large research department at our headquarters in Wisconsin, all of whose findings Spruce Falls receives the benefit of.

In other words, we supplement and collaborate with the Spruce Falls Research Department at Neenah, Wisconsin, and anything we find up there we give them the benefit of; and then we bring some of their work up to Neenah and collaborate with them.

Some of you may know, as I say when talking sometimes, that we are the outposts of industrial civilization in Ontario.

Q. Some sometimes think you are beyond the outposts.

A. And consequently we have to pay the highest freight rate upon our product of any mill in Ontario and, I think, in Quebec. Our freight rate is about \$9.00 a ton.

So we have accomplished quite a record, satisfactory to ourselves, although we did not get, during the entire period, a satisfactory return on our cash investment. In fact the mill, in no year of the eleven since it has been in operation,—the paper mill, I am talking about now,—has run full, but one year, and that was in 1937, when every mill in Canada ran full. In not a single year since we started operating that mill have we run the mill full, with that single exception.

I do not know whether any testimony has been given here to the contrary or not; but if there has been any testimony given here to the effect that the Spruce Falls mill has run full all the time or any of the time except 1937, our records prove to the contrary, and I make the unqualified statement that not in a single year of the eleven since the mill has been in operation, have we run full, except in 1937. In 1937 we ran 308 days, I remember; and 309 days nominally is the full time.

Q. I would leave a remark now that we can deal with later on. The reason I ask the question is this, that Mr. Vining, who is the president of the Newsprint Association, in giving us estimates of the important cost factors in the industry, pointed out that fixed charges and carrying charges were the first and heavy obligation in the industry; and I was rather struck by that item, and it occurred to me, when you indicated that your mill certainly was not built at the lowest point of cost in building, had been built in a relatively high cost, and yet had been able, during this period, to pay off its capital obligations until you have left but approximately \$4,000,000 of those obligations. I would only leave that thought, that possibly there is some relationship between those two facts?

A. There is another element that enters into the proposition, in comparing it with some mills. As I said, we developed Smoky Falls power and provided the money to do it with. So that we have only the depreciation factor, the labour cost and maintenance. That is the cost of operating this power plant to contend with, as against the power rates, which run into considerable money, that some of these other companies may have to pay, that is, where they have to hire their power altogether.

THE CHAIRMAN: Q. Would you have any objection, Mr. Sensenbrenner, to tell us what is your cost of power per ton?

A. I am sorry I cannot tell you what it would be as to those two factors, depreciation and operation, depreciation, maintenance and operation, including labour. I do not know what we would figure. That would, of course, have to be figured in with a return of the investment.

HON. MR. NIXON: Surely you would figure that in?

A. Yes, because if we do not, we get no profit on the investment element anyway. We let the profit take care of itself.

But we can readily see that mills which have to hire their power at \$13.00, \$15.00, \$18.00, or whatever it may be, while we have to charge nothing against our power except depreciation and operation of the power plant, may provide a considerable factor; because we provided the cash in advance to build our power plant. These people are paying for it currently. The other fellows furnished the capital; and they are paying for it currently. That would be quite an element in the cost, where you have to hire your power; because, if you take a pulpmill, the grinding of the pulp is what takes the power. And I imagine some of the mills have high charges for power.

THE CHAIRMAN: I was wondering if your cost of power was about the same as the other witnesses have given?

A. I think, taking those factors of depreciation, maintenance and cost of operations into consideration, I can get you a figure on that for your records, if you desire it.

Q. Yes, you might give us those figures, if you will. Go ahead, Mr. Sensenbrenner.

MR. DREW: Q. Just before you leave that point, Mr. Sensenbrenner, have you paid any return on junior certificates yet?

A. We did, but from October 31st, 1932, until, I think, 1938, we paid no return whatever for that period of five or six years.

Q. Have you resumed payments since then?

A. Only intermittently, just as we had some free money.

Q. But you have made some payment on the junior certificates?

A. Yes, before October, 1932, we paid them more or less regularly; but since 1938, we have paid only intermittently.

There is one thing I would like to touch on in connection with our Spruce Falls enterprise, and I want to do it because it has some bearing on this export question, which in connection with the Pulpwood Supply Company, has come up pretty prominently. From the beginning, we made it a definite policy in

planning every year as to our annual requirements of wood for the mill, to first make all our contracts for wood with the settlers, that they expected to produce, and were willing to contract for with us. Our purchases from them, and especially since we expanded the enterprise, have been from 65,000 to 90,000 cords per year.

We were influenced in the adoption of that policy by two considerations. First, it conserved our supply of standing timber; secondly, and perhaps I should have put that first, we felt that people that went up there and did the pioneering, were dependent largely, especially in the wintertime, upon finding a market for their timber, and that we ought to arrange to take their wood first; and only invade our standing timber to make up the deficit year by year, despite the fact that that wood cost every year higher than we could produce it for from our own cuttings.

That served two purposes, as I have said, and I want to emphasize it. First, it is in the interests of conserving our own standing timber supply, and, secondly, we felt it to be an obligation to furnish those people a livelihood, because naturally our market was the nearest market for them; and to take their wood at the higher cost, regardless of the cost that we could cut it for on our own limits.

We have in Wisconsin bought pulpwood from Canada, freehold wood and Crown land wood, where there was no embargo on it, for a number of years. I know that some years we went away beyond Hearst to get wood. And, as a rule, the price paid for that wood by the American manufacturer-buyer was higher than they could find a market for it in Canada. That is not unnatural, and I find no fault with it. That was not unnatural. The Americans, perhaps in times of boom, wanted the wood worse than his friends in Canada wanted it, or wanted to pay for it; and you cannot blame the settler for selling his wood in the market that will pay him the most money for it. That is natural.

But, as to Kapuskasing, our policy has been, regardless of the fact that it was at a higher price, we bought the settlers' wood in any case at a higher price than he was willing to sell to us for; and invaded our own standing timber only for the difference between what we bought from the settlers and what our total requirements were.

Now I approach what I am thinking of at this time. You want to know something about what I think is the matter with the business, and what I think ought to be done to cure it, and I approach that phase of it with a little bit of reluctance.

There are two phases to the development of the newsprint industry in Canada, and again what I am going to talk about touches a little bit upon the export question.

What forced the newsprint industry from United States into Canada in volume? The export of pulpwood had comparatively little, if anything, to do with it, in my opinion. The first phase of the question, that is, what started the movement, what shifted the newsprint industry from the United States to Canada?

It was, first, the reduction in the duty imposed by the United States from \$6 per ton to \$3.75 per ton. And then it was very much accelerated when in 1911, I think it was, the duty was wiped out entirely.

It dropped, I think, within two years from \$6.00 per ton to zero in two steps, from \$6.00 to \$3.75, and from \$3.75 to nothing. I know whereof I speak, because I had something to do with the opposition to the removal of the duty at the time back in 1911.

The final zero mark was reached at the time when the Reciprocity Treaty was made. The Bill which was introduced into the American Congress, in the final paragraph, provided, that unless Canada ratified, the action of our Congress failed.

Some clever fellow representing probably the publishers, put a paragraph in, or had a new Bill introduced. About that last paragraph that I have referred to, following that he put in, "Newsprint paper shall be free under the terms of the Treaty,"—but it followed the paragraph which provided that unless Canada ratified it, it failed.

So that the legislation passed. And Canada did not ratify; and newsprint was on the free list.

Now, that was quite a natural movement, shifting the newsprint industry from the United States into Canada, when newsprint could enter the United States free; because Canada had the wood and it had the water; and it required no capital investment in wood to protect a large investment in plant and equipment, as was necessary in the United States; and low or reasonable power leases. So that the shift was quite natural and has been going on ever since. It was accelerated during our heyday, during the eight years, and has been going on ever since.

Now, the second phase was the boom, the war boom and the post-war boom, which increased the consumption of paper greatly and forced the price up to an unreasonable amount, and made the paper industry a very profitable thing, the newsprint industry, particularly. It made the sale of securities very easy during that time. The result was over-expansion away beyond the requirements of consumption. I have had the feeling that unwise market policies, following this overexpansion of the industry in the 1920's is responsible for the troubles of the industry.

Q. When you speak of "market" you mean the newsprint market?

A. Yes, newsprint market policies, responsible for the troubles of the industry. And I have an old-fashioned notion that the good-will of a customer, especially where the relations of a seller and a buyer are of such magnitude as with a mill making newsprint paper and a publisher, running not only into hundreds of thousands of dollars a year, as between a single seller and a single buyer, but in a number of cases, into millions of dollars per year between a single producer and a single consumer, that goodwill is a priceless asset. And I know a good many publishers on the continent. I know numbers of them personally, intimately, and I know a good many more of them by reputation. And I know

that as a class they are a very reasonable lot of fellows. There are one or two or three or four exceptions, as there are in any group of people you may select or may have to deal with.

I know that the publisher is concerned about three things, and if you can satisfy him as to that, in attempting to deal with him, and carry out your obligations faithfully, you have got his good-will and you have got a permanent customer.

First is the assurance of supply. Newsprint paper is the life blood of a newspaper.

Secondly, good quality, good service and deliveries.

Thirdly, a reasonable price determined with due regard for costs and the law of supply and demand.

Now, strange as it may seem to be, I make this statement in connection with those other three points. He does not object to a uniform price if it is reasonable. I think the great majority of them prefer a uniform price, so that they may be sure that they are paying no more than their competitor in the same trade area.

The marketing policies preceding the last two and a half years, I do not think were such as to beget the confidence and therefore the good-will of your customers. Through changes in managers, resulting from receiverships and the like, there has been a very substantial improvement in the marketing policies of the industry,—a very substantial improvement.

That statement is proved, I think, pretty conclusively by the recent action of some of the mills in announcing, despite present war conditions which have raised the deuce with the pulp market, they have announced no advance for the third quarter of 1940; making the same price, which is the price which has been effective for the last two and a half years, effective until the first of October next.

I think that made a great impression on the customers of the newsprint industry in Canada.

Actions prior to that have antagonized them; and a return in the future to policies which did not recognize those fundamental principles, mean further expansion of the industry in the south; and temporarily you may force them to pay higher prices, if you return to the old policy of exacting all that the traffic will bear, getting while the getting is good, as the saying is; and taking your medicine when the getting is bad.

But the worst feature about that policy is that newsprint is a contract commodity; and if you lose your contracts, and it goes in big tonnages, you cannot recover it in a year; and the temptation then to demoralize the market is very strong.

Q. Mr. Sensenbrenner, you may or may not care to express an opinion on it, but there is a very current belief that one of the things in regard to marketing policies with which we would be more concerned, have to do with suddenly

increased prices, rather than by looking at the long-term picture, is the fact that to a considerable extent, those financially interested in the public handling of securities, in some cases, have also to do with the direction of the newsprint industries. Would you care to make any comment on that?

A. I am inclined to think that is so, because of the lack of experience, you know.

Q. I merely reflect one of the viewpoints in regard to an industry that is certainly far from in a satisfactory condition, and certainly a viewpoint is that there has been too close a tie-up between the stock market attitude towards this industry and those actually in control of the operation?

A. I think you are right.

Q. On the point that I asked you a question about a moment ago, Mr. Sensenbrenner, in finding some solution of the undoubted difficulties in which this industry as a whole finds itself, will you agree with me that the method of financing is one of the problems which should be considered?

A. Absolutely.

Q. And will you agree with me, that the assurance to the public of some more stable method of financing, would contribute greatly, not only to goodwill in relation to the industry, but also to the sense of confidence in the public mind in regard to securities of this kind?

A. Yes.

Q. Now, I come to a point which has not been raised so much here, but has been raised in certain public speeches which I have read, and was raised in the Quebec Legislature not long ago. It has been suggested that this industry presents an unusual situation, perhaps parallel to no other single industry, because at the moment we are producing a very large amount of newsprint in Canada, some 95 percent of which goes to the United States; and consequently, the good-will of that customer in a single market is vital to the continued success of the industry within Canada, which is dependent for its success upon its exports to one national market. Because of that fact, it has been suggested that not only for the purposes of marketing, but also for the purpose of maintaining goodwill and establishing practices which will bring the purchasers and producers together, some international commission or committee, -call it by any name you will, operating on somewhat similar lines to the Joint Waterways Commission, which is an international commission, and which has had an extraordinary record in regard to the solution of national problems.

It has been suggested that something along that line, not operating on too rigid a basis, but for the purpose of bringing the producer, the one company, into touch with the consumer, another company, which must remain interested throughout the life of this industry, might possibly be to the advantage of the industry as a whole. I might say, before I ask for your answer to a long question, with an explanation, that when that has been raised here there has been some

indication of approval, and there has also been the statement that it would not be practically possible. I must say that before I ask you to express an opinion as to whether or not it is a practical possibility?

A. I am afraid, if I get the effect of your question, that it again would create a question in the minds of your customers. As you say, ninety-five percent of your customers are over there, and I am afraid that it would create suspicion in the minds of the customers over there, and raise the question as to finding other ways and means of securing their supplies.

Q. The idea, Mr. Sensenbrenner, was to bring the customer into this picture and into contact with the producer?

A. Oh, I see.

Q. So that there would be a contact, which, through the nature of such an international business, cannot always be discussed with the publisher?

A. It would have to be on pretty broad lines, to get the co-operation of the publishers. You have an awful lot to overcome, to overcome suspicion which was engendered two and a half years ago.

A conservative price policy pursued in spite of abnormal conditions, such as we are looking forward to now, if you can restrain your inclination to boost the price under such conditions over a year or two, I think you will get the good-will of the customers; you will get their confidence, and then perhaps some scheme such as you suggest would be workable. I am a little fearful it is not in prospect now.

Q. It was really with that very point in mind that this was raised; and really I am not proposing to make it as a solution, but it has been suggested as one way in which we might achieve the very point you have in mind, that is, to gain the confidence of the customer, which must be continually in mind for the future?

A. That is right.

Q. Apart from that, have you any direct suggestion as to ways and means in which that confidence can best be maintained, or, if you will, restored?

A. I think the best means of doing it is through the proper conduct and management of these different mills. And if the demand, because of abnormal conditions increases to where supply and demand are nearly in balance and the proper amount of restraint is exercised by these mill men in selling their products, I think you are going to get yourself in a position within a year where something on the basis of an international commission, of which the publishers should be part, may be accomplished.

But you have got an awful lot to overcome before you can put something of that kind into effect, in my opinion.

Q. Can you suggest, and it is only a suggestion, any steps that can be taken to achieve that result?

A. None except proper conduct on the part of the people that market this product. And that is going to be made easier, as I say, with supply and demand getting into position where, possibly by the end of the year, they will be about in balance.

Q. About what?

A. About in balance. Then if proper restraint is exercised, as was done here a month or two ago when they announced the price for the third quarter, I think perhaps you can get into friendly relations with the publishers on some basis where through joint discussion—that is your idea, is it not, Colonel?

Q. Yes.

A. In advance of contracting—joint discussion, studying each other's problems, which may have some influence on reasonable action; I assume that is what you have in mind, is it not, Colonel?

Q. That is it. What I had in mind was this: rightly or wrongly it seems to me that first of all this industry has been bedevilled by methods of financing which cannot be justified by any argument that can be advanced. I do not suggest that that affects every company by any manner of means; but that the industry as a whole has been subjected to financing methods that cannot be justified in the public interest. Second, that we are in the technical position of having one national market—no matter how much we may talk about international competition, we have one national market of importance.

A. Yes.

Q. And it is vital to the continuing success and stability of the industry in Canada that there be good-will between consumer and producer. And while I personally am not too strong a believer in rigid regulations controlling any industry it does seem to me that if some form were provided which had on the one hand, at least, the blessing of the producers in this country, and, on the other hand, the blessing of the consumers in the United States, and receive such parental blessing as was necessary from the governments of the two countries, that something of that kind might offer a continuing contact point that would eliminate some of the friction which undoubtedly has entered into it in the past. Does that seem to you to be a reasonable suggestion?

A. Yes, yes. That would be an ideal suggestion. I foresee difficulty in bringing it about except after a lapse of time. I think that would be an ideal situation.

Q. I have in mind, for instance, the fact that the Newsprint Association in Canada does act to some extent as a governing body over the member companies—informally I grant you—nevertheless exercising supposedly some influence over the conduct of those companies. It occurred to me that if there were some similar organization combining the interests of the larger consumers in the United States, then when these two bodies came into contact in some informal group that you would have a contact point which would iron out a lot of the problems that undoubtedly have contributed to the difficulties of this

industry. Or is it possible that there are differences of opinion between the consumers that might make that impossible?

A. Some, probably. But you take the publishers as a class; they are a fine lot of fellows; they are a reasonable lot of fellows. Or, as I said before, there may be one or two that are a little difficult to line up with a suggestion such as you have made.

Q. Well, I have interrupted your trend of thought, Mr. Sensenbrenner.

A. I have about exhausted my subject.

Q. Well, have you anything further you wanted to say before I ask you some questions?

A. No.

Q. Mr. Sensenbrenner, in connection with the Kapuskasing development and which, incidentally, in addition to the other assets that you have mentioned, has also a very good airport now as well, I believe.

A. Oh, yes. We are getting to be quite metropolitan.

Q. Yes. I happened to land at that airport a short time ago.

A. I hope that some of you gentlemen will get up there occasionally and see what we have there.

THE CHAIRMAN: I have been there several times, and everything you have said is more than justified.

A. Thank you, Mr. Chairman.

MR. W. G. NIXON: You overlooked mentioning your nice horticultural development.

A. There are some things that even I do not know about. But that park, is that not a beauty?

Q. Yes; very fine.

MR. DREW: Mr. Sensenbrenner, in that respect you have established a community there which has all the physical requirements of a continuing community, having, as you say, the social and spiritual elements as well. To what extent are you assuring perpetuity of your timber supply there?

A. I am glad that you asked that question. We have, we think, two very able foresters, and the chief, I think, is as much concerned about doing everything possible to protect and conserve our timber stand up there at Kapuskasing as the Government can possibly be, and as far as is practicable. He does all of his planning first, so that over a period of years our average cost for wood, except as affected by increased cost of labour and supplies, will be substantially the same.

That is, he is taking some of his nearby wood bordering on the banks of a river, and then he goes back quite a considerable distance. We are operating, and have been for some time, on the Aquasabon River, the Kapuskasing River, Woman's River, and on this fifty-mile river. So that we are trying to maintain by that distribution of our operations, an average cost over a period of years, so that we will not have these violent fluctuations, such as would result by taking all our easily available wood and a consequent low cost this year and then have a higher cost next year.

He is conducting his cuttings in a manner which will conserve as far as practicable, natural regeneration. Understand, I am not a practical forester, but I go over these matters with him pretty thoroughly and get his reports very frequently. Because we have exceeded our obligations in our agreement with the Government by a very substantial amount in both pulp and paper, we feel that we have not got a sufficient supply of timber reserve to protect the future of that mill over as long a period as we should have. But we are doing everything possible. That is what you are concerned about chiefly, are you not, Colonel?

Q. Yes.

A. And the conduct of our operations so as to conserve the timber as much as possible or as much as practicable.

Q. You say you are of the opinion that you have not a sufficient area to assure a continued supply?

A. That is our opinion. There is nothing in the immediate future. We are protected for some time in the future. But we want to maintain that plant and support that community for an indefinite period, away into the future. No doubt the Government has that in mind.

HON. MR. NIXON. Q. How many millions of cords of wood did you have on your limits?

A. Off-hand I should say about eight to ten million. Have you any information on that, Mr. Heenan?

HON. MR. HEENAN: I have forgotten.

WITNESS: I can't remember. But we were committed to make 550 tons of paper per day. We have a capacity there of 700 tons a day. And we were committed to make 115 tons of sulphite per day. We have a capacity there to make 225 to 240 tons per day. So that we have gone away beyond our obligations under the contract.

In that connection, getting back to the building of this sulphite pulpmill, an obligation of the Sulphite Pulp Company, which according to the terms of the agreement we were to start on September 1st, for reasons already given I do not think we should be required to do it. I do not think that we should be required to do it under the circumstances. And we have faith in the Government, that they will not compel us to do it if we can show sound, economical reasons why we should not be forced.

During all of our experience in Canada over the last 20 years, we have always had fair and reasonable treatment from every government that has been in power. And we have faith, that against conditions which have existed in the sulphite market for the last ten or fifteen years and which make present conditions, and which make the building of a pulp mill under present conditions unsound, that the Government will not compel us to do it; that they will give us some extension of time. At least, we are going to make application for an extension.

MR. DREW: I have this in mind, though, Mr. Sensenbrenner, that if the area is not sufficient now, then it would seem to me that cutting must necessarily be done on a basis which forces the possible areas of sufficient cutting at a later date, back far enough from the town itself and from the mills that, you will greatly increase the cost of delivery of that wood to the mill. Would that not be so?

A. Yes, but we are going at considerable distance from the mill, now. In the early days of our operations, we had to do the clearing around the town to reduce the fire hazard.

Q. Yes.

A. But since 1926-7, we have been cutting in various areas; in fact, we are cutting on every creek and stream except Ground Hog. The Ground Hog traverses the Aquasabon, the Kapuskasing and Woman's River, and some of these reaches are at considerable distance from the mill, in order to maintain a sort of average cost over a period of years.

Q. How many square miles have you?

A. 4,700 originally. We have been cutting, you understand, for the last 20 years. A total of 4,700 square miles.

MR. ELLIOTT: Is that what you have left or is that what you had originally?

A. That was the original number, 4,700 square miles.

MR. DREW: There are still 4,700 square miles within the area that you control?

A. Yes.

Q. What is your average rate of production per day?

A. We actually average about 610 tons of newsprint paper per day, and about 230 to 240 tons of sulphite pulp per day.

Q. Is that bleached?

A. No; unbleached.

THE CHAIRMAN: How many cords of pulpwood do you require for that production?

A. About 280,000 cords a year.

Q. You purchase an average of from 60 to ——

A. From 65 to 90,000 cords a year.

Q. An average of about 75,000 cords a year?

A. Yes.

Q. So that you would have to produce on your limits, about 200,000 cords?

A. Yes.

Q. You estimated your supply to be 8,000,000 cords?

A. About that.

Q. That would give you 40 years' supply, if you do not increase the actual present capacity of the mill?

A. Yes. Of course, the settler wood may grow less and less. I am not so familiar with conditions up there, but I suppose they are going farther back.

MR. DREW: Can it be said, Mr. Sensenbrenner, that your foresters are attempting to assure perpetuity as far as possible on these limits?

A. I did not get that.

Q. Can it be said that your foresters are attempting to direct the cutting in such a way that it will assure perpetuity of the stands?

A. The area is not large enough in our opinion to assure that; but they are doing everything possible to promote growth and to prevent fires in collaboration with the Government.

Q. You have said that you are not an expert forester yourself, but you have been engaged in the industry a long time, and that raises a point on which I would like to have your opinion. It would seem to me that it would be sound practice for any enterprise of this kind to have a sufficient territory and for its practices to be so directed that, subject to such reasonable hazards as one can anticipate, the community could expect to continue in perpetuity in that same type of business. While I do not suggest that we can transplant the Scandinavian methods here, where it is really almost tree farming, the principle would appear to be the same; or it would appear to be desirable that we have the same principle, that is, that the communities which are established with the background of forest resources should be able to expect to continue in that area in that same enterprise. For that reason it seems to me it would be sound practice, with the areas we have available, to grant areas that are adequate to cut in perpetuity and for cutting methods to be enforced, preferably by the company itself by its own foresters, and which subject to unexpected hazards, such as fire, and so on, would assure continuity. Would that not seem to be sound practice?

A. I think that is desirable.

THE CHAIRMAN: That is what you are trying to do up there, is it not?

A. Yes, as far as possible.

Q. You mentioned earlier in your statement that you were purchasing wood from settlers for two purposes, the main one being to conserve your own resources and also to help the pioneers there?

A. Yes.

MR. DREW: Mr. Sensenbrenner, is it not so that if an area is too small for the actual production of any given mill or mills, that that will inevitably force upon any company cutting methods which may be destructive of that community no matter what territories are added at some time in the future? Is that not so?

A. Yes. The increase in the cost of pursuing selective cutting as against a concern that has vast areas and which does not practice selective cutting might put the mill practicing selective cutting at a great disadvantage. In cost, that is.

Q. I do not want to labour this point, but it seems to me it is very important as a question of general principle. No matter how intelligent the forestry control by any company may be, if they start with an area smaller than is necessary to assure perpetuity—not so much of that company as of that community.

A. Yes.

Q. Then it seems to me that they must adopt cutting methods which will denude the immediate area around that community to a point where the ultimate addition of new areas out beyond that would only provide wood at a cost which would be uneconomical and might result in creating another ghost town, no matter how sound the ordinary methods of operation might be. Would you agree with that proposition?

A. Yes.

Q. And would you agree that as a general principle, then, it would be desirable to start by assuring an area surrounding any community of this kind which will make it possible to establish cutting methods based on the attempt to assure perpetuity of cutting?

A. Yes.

Q. As you have said, you have had a lot of experience in Wisconsin. Is it not true that one of the reasons it is necessary for so many of the mills in Wisconsin to get pulpwood from Ontario is because sound cutting methods were not enforced there?

A. That has had some influence. But you would be surprised at the amount

of timber that is still in Wisconsin and in northern Michigan and Minnesota. You see, the Wisconsin mills are using a variety of species. They use hemlock. I guess there is no hemlock in the province of Ontario, or, if there is, there is very little of it. But they use considerable quantities of hemlock, jack pine, poplar, and balsam the last fifteen years has come into quite general use in the manufacture of sulphite pulp. So there is a vast quantity of that used. And there is a lot of timber in Wisconsin and northern Michigan still.

We have bought pulpwood in Ontario for the last 35 or 38 years during the period that the embargo was in effect. We got it off free land, soldiers' script, and so on. We were not so much concerned about the character of the land we got it from, that is, as to title, because we got it from contractors. For the last 35 to 38 years we have been getting pulpwood from the Province of Ontario in connection with our Niagara Falls mill, in New York, and some from Quebec. I remember 42 years ago we began to worry how we were going to supply our Wisconsin mills with pulpwood. It is true we have had to go a little farther away from the mills all the time, but we are getting a lot of pulpwood from northern Michigan and Wisconsin. When I say "we" I mean the mills in the Fox River valley and in the State of Wisconsin generally.

Q. From reading the forestry magazines, and so on, I gathered that there has been a good deal of criticism of the methods that were permitted in cutting in Wisconsin in the past.

A. There is no doubt about it; they cut and cut clean, you know. But there is a lot of timber in the northern part of Wisconsin still and in northern Michigan—a vast amount of timber.

Q. Now, Mr. Sensenbrenner, in connection with the Pulpwood Supply Company, is it your present intention to proceed with the erection of a mill?

A. No. We propose to petition the Government to give us an extension of time. It depends upon the action of the Government upon that petition. But I have faith in being able to convince the Government that it would be economically unsound to build a mill under present conditions.

Q. Then would you go so far as to say that it is economically unsound to build any further mills of that type at the present time in Ontario?

A. Why, yes, in view of the experience of the last 18 or 19 years largely due to the Scandinavian competition. But conditions may change. You see, the situation has been affected somewhat, too, by under consumption in the States particularly. The States are your market for pulp, just as they furnish a big market for Scandinavian pulp. Now, during the years of depression when buyers of pulp in the States were operating on 40, 45, 50, 55 and 60 percent basis of capacity, that meant 40 to 50 percent decline in their consumption, and that was a contributing factor. If we should run into a period of prosperity where for ten years the consuming mills run to full capacity it might tend to balance that situation.

Against that, however, is the building of sulphate mills down in the southern States of the United States. They can make pulp cheaply down there. They

are making paper pretty cheaply down there. I am not talking about newsprint paper. I do not know as to their costs; I have not any figures on that yet. But they are making some grades of paper down there cheaply. They have cheap labour, natural gas and fuel, and they have comparatively cheap wood. The wood cost angle I am not so much disturbed about for the time being, and probably less so as time goes on; except that they make claims they can have reproduction in 12 to 15 years. The more conservative people say 30 years. But up in northern Ontario, I guess it takes anywhere from 90 to 100 years, does it not, for the spruce tree to grow to merchantable size? They have that decided advantage down there.

Q. Do you care to express any opinion as to the measure of success that they are having in producing good newsprint from the southern mills?

A. We have seen samples of the product after the mill had been in operation a few days. It did not appeal to us very much. We have seen some samples since which show some improvement. And they are going to find ways and means, I think, of making a satisfactory newsprint paper. Whether it will be equal to the so-called spruce newsprint paper, I have my doubts.

Q. You have your doubts?

A. I have some doubt.

Q. Have you heard that they are mixing imported spruce with southern pine in an effort to do that?

A. Not definitely, no. I have heard some gossip that I didn't pay much attention to. I don't think that that is—well, I had better say I don't know.

Q. It just occurred to me that you might have had reason to know.

A. No.

Q. I had heard it suggested from reasonably reliable sources, that they were importing pulpwood from Newfoundland into the southern States for the purpose of blending it with southern pine?

A. Blending it with the pine?

Q. Yes.

A. I do not know.

Q. But you do say definitely, Mr. Sensenbrenner, that in the light of present conditions, you do not think it is advisable to go ahead with the erection of pulp mills in Ontario?

A. Decidedly.

Q. Does that apply to bleached sulphite?

A. To both.

Q. To both?

A. Both, yes. The demand at present is stronger for unbleached, according to our information, than for bleached. But it applies to both.

Q. It is stronger for unbleached, is it?

A. The demand is, yes.

Q. There have been some suggestions that it was the other way around; that there was a very heavy demand for bleached sulphite?

A. Is that so?

Q. Yes. Your information is that there is a greater demand for unbleached sulphite?

A. Yes; a greater demand for unbleached.

Q. What would you say about the existing capacity in Canada to meet the demand?

A. Ample, I think, if they put all the capacity that is available to work.

Q. For bleached as well as unbleached?

A. Yes.

Q. To return to the Pulpwood Supply Company, Mr. Sensenbrenner, you have explained that the Ontario company incorporated to operate in this area, actually represents the five associates with whom you are connected?

A. Yes. We have an American company, the Pulpwood Company, and these five concerns are stockholders in the Pulpwood Company, and the Pulpwood Company owns the stock of the Pulpwood Supply Company.

Q. But the Pulpwood Company owns the Pulpwood Supply Company outright?

A. Yes.

Q. It has a 100 percent ownership?

A. Yes, a 100 percent ownership, except qualifying shares.

Q. What is the paid-up capital of the Pulpwood Supply Company?

A. \$100,000.00 cash.

Q. That is the paid-up capital?

A. Yes.

Q. Has there been any change in that situation at all, since the company was originally formed?

A. I think not. I think it was originally \$10,000.00. That is my recollection; I would not want to be positive about that. But to-day, and it has been so for a number of months, there has been \$100,000.00 cash capital.

Q. Have you figures with you as to how much money the Pulpwood Supply Company has spent?

A. Yes. We have only operated up there two years. The first year's operation resulted in a product of 32,000 cords. Last year's operation, that is, 1939, to the spring of 1940, was 52,000 cords.

The total amount of money spent was \$850,000.00, but last winter's product has not been driven yet. So there was spent \$850,000.00 of which \$207,000.00 is invested in building, town buildings, warehouse, tugs, booms and other equipment, and includes \$50,000.00 cash on deposit with the Department. \$207,000.00 in fixed investment, and the balance of the \$850,000.00 we have spent in the production of pulpwood.

THE CHAIRMAN: If you were able to spend all that money with a capital of \$100,000.00, I suppose the American company advanced the funds required by the Canadian company.

A. That is it exactly.

HON. MR. NIXON: What was your operation in cords last year, did you say 52,000?

A. 52,000, yes.

MR. DREW: Did you drive out any last year?

A. Yes; 32,000 cords, ten of which has not been cleared. It is in the Aquasabon Lake. It was carried over the winter in that lake, so that there will actually come out of the mouth of the river, 62,000 cords as soon as the river is open. Our present plans are to cut 67,000 cords, beginning this month. That is, we are going to pile part of it and leave part of it in the rough, so as to give more constant employment.

MR. DREW: Are you setting up any sort of a community in there?

A. We have got half a dozen houses or more at the head of Lake Long Lac.

THE CHAIRMAN: Is that near the station? What do you call the head of the lake, the northern or southern end?

A. The northern end.

Q. That is, Long Lac?

A. Yes, the northern end. We have got an office building there, and half a dozen houses and a warehouse.

MR. DREW: Q. Would you explain the actual method of financing the operations of this company, just so that we will have it on record?

A. That is, this Pulpwood Supply Company?

Q. You explained that it has \$100,000.00 capital, and yet with that amount of capital, it has been able to spend \$850,000.00 in two years. Just how is that handled?

A. The mills each take their proportionate share of whatever amount of wood is produced. In our case, let us say it is one-third. We are under contract with the Pulpwood Company to provide the money necessary to conduct the operations.

Q. Yes.

A. So our proportion of, say, 66,000 cords would be 22,000 cords. We have to provide our proportion of the money to the Pulpwood Company, which in turn by contract, is committed to the Pulpwood Supply Company as the work progresses, to provide it with the money as the operation goes on. That \$100,000.00 of capital of the Pulpwood Supply Company is actual cash and has been invested in fixed assets of the company.

Q. Well, is that \$100,000.00 invested, or is it retained?

A. No, no, it is invested in tugs and buildings and so forth, and so on; and \$50,000.00 of it is in possession of the Government.

THE CHAIRMAN: You have more than \$100,000.00 invested in fixed assets?

A. Oh, yes; about \$207,000.00. You see, the Pulpwood Company has a capital of \$200,000.00. The Pulpwood Supply Company has a capital of \$100,000.00. But through contract relationships with these mills, the shareholders of the Pulpwood Company are committed by contract, to take pulpwood from the Pulpwood Supply Company or from the Pulpwood Company, and to provide the money necessary from time to time as the operations progress, to take care of their proportion of the wood.

MR. DREW: I do not want to repeat it unnecessarily, but as I understand it at the present time, Mr. Sensenbrenner, your plan is simply to proceed with the cutting of the pulpwood on that area?

A. Yes.

Q. And not to proceed with the mill?

A. Provided we get an extension of time for the building of the mill from the Department.

Q. Well, suppose you did not get an extension?

A. We would feel very badly about it, and I would lose faith, despite our past experience.

Q. I am not asking that in any way as a catch question, Mr. Sensenbrenner. After all, if it is not advisable to build that pulpmill at the present time, I would assume that it is not the intention to build the mill. I quite recognize the interests of your company on the other side; but the fact remains that the Pulpwood Supply Company only has \$100,000.00 capital and is a party to this contract, and I would not imagine that that company would embark on the substantial expenditure involved in a mill unless it were sound economically.

A. Yes. Well, I should feel badly if, in spite of our record for the past 20 years in Canada, we had not won the confidence of the Government to a sufficient extent to believe that, despite the fact that we are not directly stockholders in the Pulpwood Supply Company, that we would not stand behind the proposition.

Q. Don't think that I am suggesting you would not, Mr. Sensenbrenner; I am merely trying to get it down to a basis which has not merely the Pulpwood Supply Company in mind, but has the general situation in mind.

A. Yes.

Q. In your opinion, it would not be sound to proceed with the erection of the mill?

A. Very decidedly not.

Q. I do not think I will press it beyond that. You have given an answer, and you say that in your experience it is not desirable to proceed with that mill, and you have said that that remark applies to either bleached sulphite or unbleached sulphite at present?

A. Yes, sir.

Q. Now, I have only one other question, but I am putting the question to you because of the recognized position you occupy in the industry, and it is really to ask you to agree or disagree with a statement. Will you agree that it would be very unwise, having regard to our past history in this industry, if the temporary increased demand which appears to be resulting from the war, were used as the basis for a sudden expansion in this industry in Canada?

A. I should think it would be very unwise.

Q. Do you see any justification growing out of the war situation to expand the industry at the present time?

A. No, I don't.

THE CHAIRMAN: There is just one more question I would like to ask you, Mr. Sensenbrenner, before we adjourn. There has been quite a discussion before

this Committee concerning the export of pulpwood from Canada to the United States, and it has been stated that if we restricted or put an embargo on the export of pulpwood from Crown lands to the United States, it might help our newsprint industry here. It has even been stated—I forget whether it was here or somewhere else—that by putting an embargo on the export of pulpwood, we might force American mills to settle in Canada and consume pulpwood here. Have you any opinion to express on that point?

A. I do not think it would have that effect, Mr. Chairman, for two reasons: first, in view of the over capacity of the newsprint industry at present, there would be no incentive to build more newsprint mills by Americans; secondly, the other grades of paper that might be manufactured in Canada are subject to a duty, and I do not think that you could prevail on an American mill to establish an enterprise in Canada, because of that embargo on export in view of the duty on the product.

Q. If we were to put an embargo on the export of pulpwood from Crown lands, would that seriously embarrass the American mills, or would they be able to get their supplies somewhere else?

A. I do not think it would seriously embarrass the American mills. They would drift to the south. They would establish plants in the south. It has been demonstrated that sulphate pulp can be bleached, and they are making certain grades of envelope paper and magazine paper, and the like, out of this bleached sulphate pulp which is made in the south.

MR. DREW: From the southern pine?

A. From the southern pine. Then, too, looking at it from the conservation standpoint for the protection of posterity, I think good government is charged equally with protecting the existence of the living. If in some sections, particularly, the settler can find a better market at a better price in the States for wood that he owns, or can find a market for the product of his labour in the bush, on the other side, why should he not have the benefit of that market? We are paying him a higher price up at Kapuskasing than we can cut our own standing Crown timber for. We are paying him a higher price to conserve our standing timber, as I said before, and to give him a chance to live.

You have that same problem, it seems to me, with settler wood, and the labour of the individual who cuts Crown timber for export.

MR. SPENCE: There is not much chance for a settler to get a market for his wood when the mill is here to take all spruce.

A. Yes; they have to export it, don't they? They have a market. He ought to be protected to sell his wood in the best market that he can find.

Q. Because of your experience, and may I say that you have impressed me very much, what are we going to do with the cheaper grades of wood? If you say it would be unwise to build mills at Long Lac which would use considerable of the cheaper grades of wood, like balsam and jack pine and probably poplar and birch, then would it not be a wise policy to get rid of these cheaper

woods? I think the Government would be well advised if we were to build mills that could use this wood?

A. You could probably find some way to do that.

Q. At the present time you are using at Kapuskasing practically all spruce, are you not?

A. Spruce and balsam.

Q. What percentage of balsam?

A. I think our timber runs about 10 per cent balsam. And the Kapuskasing stand is about 95 per cent pulpwood, that is, spruce and balsam. There is comparatively little other species of timber mixed in with it. In our Long Lac area, that is true to the same extent.

Q. You can see the point I am trying to get at. Supposing you are holding a large area up there at Kapuskasing, over 4,000 miles —

A. 4,700 square miles.

Q. And 2,600 down here?

A. Yes.

Q. And you have kept that whole area for yourself. If you are not using it, the only possibility that I see, then, if you say it is impracticable to build this mill, is to export as much as you can of it before it is over-mature. Jack pine, for instance. That is what you are doing.

A. We are not using any jack pine in the States, in Wisconsin and northern Michigan. In fact, in southern Michigan they are using considerable jack pine.

Q. I understand, too, that you permit some other operators to come in on this limit of the Pulpwood Supply Company?

A. That raises the question that I am very much interested in. I do not know whether you want me to say something on that, Mr. Chairman.

THE CHAIRMAN: Yes, go ahead.

WITNESS: I think that a concessionnaire of an extensive area ought to have control of all species of wood, for various reasons: minimizing the fire hazard, controlling the proper methods of cutting, and, again along the lines of conservation so far as it is practicable, to protect the Government in getting its stumpage dues, and the like. In other words, making the one concern responsible for all the species of wood on the area covered by their agreement. If you want to favour a small contractor, make him deal with the concessionnaire; or, if you want to favour a large contractor, make him deal with the concessionnaire, the Government holding the concessionnaire responsible.

MR. SPENCE: Q. Carry that to its logical conclusion and then you as the owner of a concession should be made to produce all the species of wood.

A. That is it. Either produce or sublet part of it, but it would always be under the control of the concessionaire and the Government would look to him and hold him responsible for everything.

Q. I absolutely agree with you if every concessionaire was compelled to produce on that area. The problem is to find out some way to use these cheaper grades of timber. We thought naturally in that area down there that you would come along and build this mill for producing pulp, not newsprint, but pulp, which is exported to the United States without duty?

A. Without duty.

Q. But when you manufacture it into the finished product it carries a duty of about 37 per cent?

A. Yes.

Q. That is one of the big drawbacks, and I would like to get around that. Those that are up there realize that they can export these cheaper grades which at the present time are growing up and decaying.

A. Yes.

THE CHAIRMAN: Gentlemen, if you have no further questions we shall adjourn until 2.30 p.m.

I want to thank you, Mr. Sensenbrenner, for coming here and giving us such interesting evidence.

WITNESS: I appreciate the privilege of being here, and I hope that in the opinion of you gentlemen I may have contributed something that is beneficial. Will you want me this afternoon again, gentlemen?

THE CHAIRMAN: No, we will not need you again.

At 1.05 p.m. the Committee adjourned until 2.30 p.m.

THE CHAIRMAN: Allright, gentlemen.

Mr. Schmon is already on the witness stand, Colonel, and he has given us copies of a statement which he intends to read us, not perhaps in its entirety, but which he wants to give in his statement. So we are ready to hear you, Mr. Schmon.

MR. SCHMON: Thank you, sir.

THE CHAIRMAN: Q. First of all you might tell the reporter your full name and your present position?

A. Arthur A. Schmon, President of the Ontario Paper Company.

ARTHUR A. SCHMON called.

THE CHAIRMAN: Q. All right, Mr. Schmon, go ahead.

A. I understand that I have been afforded an opportunity of attending your Committee mainly for the purpose of answering the suggestion that any policy of prorating newsprint tonnage should be extended to the Ontario Paper Company Limited and the Quebec North Shore Paper Company.

I should be very glad indeed to answer any questions to the best of my ability if I can be of any assistance to the Committee in doing so, but I would like to tell the Committee about our company.

I realize perhaps that I am at the tail-end of this investigation and I wish to take as little time as I possibly can.

The Ontario Paper Company takes no position for or against proration of newsprint tonnage or the allocation of selling contracts as between manufacturers engaged in selling newsprint. The Ontario Paper Company Limited has never engaged in that business, and the fact that it produces that commodity for the use of its owners is no reason for dragging it into the difficulties in which the selling manufacturers engaged in that business have involved themselves. If it is considered that proration is useful or necessary to correct abuses or give relief to manufacturers selling newsprint in the commercial field and that any revision of the present plan is desirable it should not be seized upon as an excuse to commit an injustice for the benefit of the revisors by attempting to extend its application to a non-commercial company whose mills were built to supply newsprint to its owners, and which has never sold a ton of newsprint in the commercial field.

The Ontario Paper Company is a wholly-owned subsidiary of the Chicago Tribune and its affiliate, the Daily News of New York.

The Quebec undertaking of the Ontario Paper Company was transferred in 1938 to Quebec North Shore Paper Company—a wholly-owned subsidiary of Ontario Paper—in order to comply with the requirements of the Quebec Government. Apart from technicalities, it is one undertaking and we usually refer to it as a whole as the Ontario Paper Company. Our total investment in Canada is over \$46,000,000.

When the suggestion was first made by some of the selling manufacturers to extend their prorating policy to the Ontario Paper Company in December, 1937, and January, 1938, a memorandum on the subject was prepared and this was revised and the accompanying statistics were brought down to date about the middle of 1938. It may be convenient for the Committee to have printed copies of this memorandum, and I have them available, and we have submitted them to each member.

THE CHAIRMAN: Q. I think the statistics are to be found in the second part of this?

A. Yes, sir, of the printed memorandum. I should also like to submit a copy of this brief I am reading to the Committee as an Exhibit if the Committee desires to have it.

Q. Yes?

A. Our Thorold mill was built in 1912 and 1913. It was intended for, and has always been used for supplying the newsprint requirements of our owners, and for no other purpose.

The duty on newsprint imported into the United States was removed shortly prior to 1911, and our mill was one of the first investments of American capital resulting from that change in United States policy.

In 1913 the total productive capacity of Canadian mills, including our mill, was only 350,000 tons per annum, of which 219,000 tons of newsprint was exported to the United States.

Following the high prices which had obtained in the United States——.

THE CHAIRMAN: Q. Pardon me, before you go further, Mr. Schmon. At that time, in 1913, what was the capacity of your mill?

A. The capacity of our mill in 1913 was 120 tons. It is very interesting, that fact. There were only three other mills which had a larger capacity than we had at that time.

Q. About 36,000 tons per annum?

A. Yes, sir, 36,000.

Another interesting fact that might be given: when we started to purchase newsprint in Canada our production was seven per cent of the total productive capacity of newsprint shipped to the United States. It was the same in 1920, and it is the same to-day.

Following the high prices which had obtained in the United States during newsprint control in Canada, that was the period between 1917 and 1920, extensive construction of new paper mills was under consideration. The market available to them was, of course, an important factor, and the other manufacturers sought an assurance as to the position and the policy of the Ontario Paper Company with regard to the possible sale by it of paper in the market in case it should have a surplus.

The requested assurance was given by Mr. Mellen C. Martin, based on Colonel McCormick's letter of the 28th September, 1920, that the Ontario Paper Company would confine itself to supplying the requirements of its owners so that the market for the requirements of other companies would be left to the selling manufacturers, and they could use their judgment as to how far they should expand construction to take care of the market in which Ontario Paper

was not and never would be interested. This letter is as follows: it is dated September 28th, 1920:

"Dear Mr. Martin:

"I have carefully considered the matters discussed by us with reference to the sale of newsprint by the Ontario Paper Company and can assure you that I have no intention of disposing of our product on the market, except under compulsion now, or at any time in the future. The Ontario Paper Company was not organized for the purpose of manufacturing newsprint for sale other than to the Chicago Tribune and its subsidiaries, and we do not propose to engage in the sale of newsprint to any other publications. The requirements of the Chicago Tribune and the New York News are to-day far in excess of the output of the Ontario Paper Company, and I do not expect to see the time when these publications will fail to require every ton of paper which the Ontario Paper Company can produce.

"We have never sold paper, either in the United States or Canada, other than to the publications mentioned, except, under compulsion, for the purpose of exchanging an inconsiderable number of odd-sized rolls, not suited to our machines, or to replace newsprint loaned to us from outside sources at times when we were critically short of paper.

"The growth of both the Chicago Tribune and New York News has been such that even the increased production of the Ontario Paper Company mill, after the installation of the fifth machine in 1921, will fall far short of serving our requirements. Should there appear to be a surplus of paper at any time in the future, we always have before us the possibility of expanding the New York News, which lack of newsprint prevents us from now doing, and we would take this step rather than place such newsprint on the market for sale. Should, however, the Ontario Paper Company at any time be confronted by the most remote possibility of finding itself with a surplus of newsprint on its hands not required for the consumption of the Chicago Tribune or its subsidiaries, we would close down some of our smallest and least economical machines, rather than dispose of the paper on the market.

"Sincerely yours,

"ROBERT R. MCCORMICK."

HON. MR. NIXON: Q. He was your President at that time?

A. He was the editor and publisher of the Chicago Tribune and half owner of the interests we talk of.

The building of other mills proceeded, and you will find the particulars of these at pages 20 and 22 of the printed memorandum.

During that expansion the requirements of the owners of the Ontario Paper Company had substantially increased and they contemplated the construction of a mill at Baie Comeau to answer part of these requirements, though leaving them still in the market for a substantial tonnage.

I would like the Committee to note particularly this statement: in 1923 the Ontario Paper acquired from the Quebec Government at auction, 2,000 square miles of limits, on condition of building a pulp mill and developing a large water power, and that was at Baie Comeau.

Now, owing to an unfounded rumour at that time that the Ontario Paper Company contemplated supplying an Ontario newspaper, some of the selling manufacturers asked for confirmation of the continued policy of Ontario Paper, and this confirmation was given by letter dated December 12th, 1923, from Mr. Mellen C. Martin to Mr. A. L. Dawe of the Canadian Export Paper Company Limited, which was then the selling organization of the selling mills. I would like to read that letter—this is dated December 12th, 1923, a few days after our acquiring of our auction limits:

“Dear Mr. Dawe:

“I have received your letter of the 3rd of December and wish to advise that there has been no change in the situation with respect to the product of the Ontario Paper Company.

“The statement which I made on the first of October, 1920, to the members of the Newsprint Section of the Canadian Pulp and Paper Association on behalf of Colonel Robert R. McCormick and other officials of the Ontario Paper Company was to the effect that the mill of the Ontario Paper Company, located at Thorold, was not a commercial mill but was a mill designed to supply only the requirements of the Chicago Tribune and its American subsidiary publications, and that it was not the intention of the Ontario Paper Company to solicit business from Canadian newspapers.

“The position of the company with reference to this matter is not changed, and I trust that this expression of the position of the Ontario Paper Company will clear up any misunderstanding on the part of your principals as to the intention of the Ontario Paper Company with respect to the Canadian newsprint market.

“MELLEN C. MARTIN.”

Following this the most active expansion of construction by the selling mills took place and was continued down to 1930.

From 1920 to 1930 the Ontario Paper Company added only one machine with a rated annual capacity of 18,600 tons as compared with a total expansion by the selling mills during the same period of 86 new machines, with a rated annual capacity of 2,523,000 tons.

During this period the owners of Ontario Paper Company purchased in the market newsprint tonnage above the production of the Ontario Paper Company amounting to many thousand tons and many millions of dollars. The total up to the end of 1937 amounted to 1,633,000 tons at a cost of \$79,894,000.

The total of all of these purchases up to the 1st April, 1940, has amounted to over \$85,637,000, and these were always purchased at very high prices.

During this period of expansion it was always understood by the other

manufacturers that the mill of the Ontario Paper Company at Thorold and the contemplated mill at Baie Comeau would be used only for the purpose of supplying the requirements of the Tribune and the New York News, and that none of the tonnage provided for by the Ontario Paper Company would be available as a market for the mills which the other manufacturers were building.

The investors who furnished capital for the mills of the many new companies taking part in this expansion knew of the status and classification of the Ontario Paper Company, and that to the extent of its production, its owners would not be in the available market for which the other companies—old and new—were building.

Ontario Paper was never asked for and never gave any assurance that it would not to the extent of its capacity supply its owners' requirements.

The additional requirements provided for by the Baie Comeau mill were brought about by the energy, ability and success by which their newspaper circulations have been increased. The publishing business is a highly competitive one and the extent of the contribution of our owners to the increased consumption of newsprint paper is indicated by the fact that their consumption of newsprint since 1920 has grown approximately three and a half times, whereas the total consumption of newsprint in the United States has grown only about three times.

Mr. Vining's report refers to the construction of the Baie Comeau mill as "Incident E"—"The last straw for Ontario." I would like to shortly state the history of this transaction: in 1923 the requirements of our owners were rapidly increasing and the Ontario Paper Company acquired a lease of timber and power rights on the Manicouagan limits and the Outarde River, at auction against other bidders. One of the conditions was an obligation to construct a ground wood pulp mill and a power development within a period of seven years; that is to say, 1930, it was to be finished.

The building of this mill was postponed on account of the rapid expansion of the newsprint industry in Canada which was taking place, and which even then looked as if it would, and in fact it did, result in over-production.

Off the record—I mean not in this brief but included in here—I can say that Colonel McCormick spoke often about the reckless expansion during those years even while we were thinking to take care of the business of our own building.

MR. DREW: Q. I don't want to interrupt, but I think you interpolated the words there "at auction"—that purchase was at auction, was it?

A. By auction, yes, sir.

THE CHAIRMAN: Q. I was just going to ask you, do you know what was the price paid to the Quebec Government for these limits?

A. It was an auction of stumpage dues, sir.

Q. No initial price paid for the purchase?

A. Oh, yes, it was \$600 a square mile, but there was no auction price per square mile, just merely on the dues.

Q. But you had to make an initial payment of \$600 per square mile?

A. Yes. That was about a million dollars—a little over a million dollars.

Q. And what was the extent?

A. 1,800 square miles.

Q. So that represented over \$1,000,000 paid to the Quebec Government at the start?

A. Yes, and also a deposit with the Government that we would complete this development or default the money.

Q. This million dollars was never returned to you?

A. Oh, no.

MR. COOPER: Q. What dues do you pay on your spruce down there, Mr. Schmon?

A. Oh, stumpage dues are fixed I think at \$2.70 a thousand feet.

From 1923 to date the owners of Ontario Paper Company purchased very large quantities of newsprint from the selling manufacturers at the prevailing market prices which, during the first seven years, were very high. The particulars of these I have already referred to. During all these years up to the construction of the Baie Comeau mill the Ontario Paper Company paid power rentals, ground rent and fire protection right on the limits. In order to show our good faith we did a certain amount of construction work building such things as wharves, dams and other works, and we had at that time in 1930, an investment of over \$5,000,000, and this investment lay idle and the final outcome was often in doubt.

In 1930 the company contemplated proceeding with the construction of the mill in accordance with its undertaking to the Quebec Government, but in deference to the other mills, and with the approval of the Provincial Government, the development was postponed on account of the world-wide depression then beginning.

In 1934 the company was asked by the Quebec Government to complete the project or to buy an existing mill. For two years the company entered into various negotiations but it was found impossible to arrive at any satisfactory arrangements with various bondholders' committees and other committees, banks, etc., who were at that time struggling with plans of re-organization for some of the companies. We could not purchase an existing mill, not only because of the very great amount of legal difficulties, but also every one of these committees wanted to sell a mill on a basis of bailing out the bondholders and shareholders at values far beyond those which the property was worth, and far beyond what we could build a new mill for.

Great pressure was exercised in the United States to induce the owners of Ontario Paper Company to use southern pine. It could have built a paper mill in the United States and fulfilled its undertaking at Manicouagan by manufacturing ground wood only. The company naturally had confidence in the Canadian Governments and it was decided not to go to the southern States but to proceed with the construction of a paper mill at Baie Comeau, thus avoiding the loss of its rights and its investment, which were subject to forfeiture if it failed to construct according to the conditions of its lease within the time finally specified.

The construction of Baie Comeau was undertaken with the full knowledge of the Quebec Government, which had urged Ontario Paper Company to construct this plant.

It must also be remembered that the business upturn had begun in 1936 which, according to the general views of business men, would result in a considerable period of prosperity. This upturn did actually result in such an extended use of newsprint that many of the selling mills were running at full capacity for the last six months of 1937, and the paper manufacturers themselves saw fit in June, 1937, to increase the price of newsprint from \$42.50 to \$50 per ton, effective January 1st, 1938.

That this boom did not materialize more permanently could not have been foreseen, as it was due to many complicated conditions far beyond the control or foresight of any group of business men.

This mill was built in confident reliance upon the fact that the long-continued recognition of its position and classification as a non-commercial newsprint mill, not only by the industry, but also by the Provincial Governments, would enable it to supply its owners with their requirements of newsprint up to the capacity of its mills, and we believed that the company could safely assure its investors, employees and others, of continued stabilized operation, because it had been built for a purpose which was independent of market fluctuations and subject only to the success of the newspapers of its owners.

I would like to refer to our most recent investment, that is, our limits upon, and shipping facilities, based on Heron Bay in Lake Superior. While we had timber reserve sufficient to answer the requirements of both our mills, we were urged by the Ontario Government, at various times, to operate our Thorold mill, as far as possible, on Ontario raw pulpwood. We had been able to do this only to a very limited extent, until the Heron Bay limits became available. We acquired those from the Ontario Government, and we undertook a commitment to cut a large quantity of wood each year. We have made an investment of over a million dollars in the construction of the town, wharf and shipping facilities there, and we expect, during this season, to supply a large part of our requirements at Thorold from that source.

The Baie Comeau mill was completed in January, 1938, and even after completion, the *Tribune* and the *News* are still in the market for a large tonnage of newsprint.

Not only has Baie Comeau, not in any way contributed to the present

difficulties of the industry, but the maximum production at Baie Comeau still left the owner-publishers as buyers in the market for over 32,000 tons of requirements not provided for by the Thorold and Baie Comeau mills, in addition to over 41,000 tons bought in 1937 for 1938 requirements, and the consequent fall in total consumption in newsprint by United States publishers.

MR. DREW: Q. Mr. Schmon, not in any way debating the statement or questioning its accuracy, I assume that the point that would be made by those who are raising the other side, would be that up to that time, the purchases of the *Chicago Tribune* and *New York Times*, would have been from other mills in Canada, or Quebec, which were deprived of them by the erection of the Baie Comeau mill. Wouldn't that be their point?

A. Yes. It would be made the contention that we have only been buying 30,000 tons of newsprint since the Baie Comeau mill has been constructed. The point we are trying to make here is this, that in 1936 we purchased around 150,000 tons of newsprint, and in 1937 we purchased 197,000 tons, but 40,000 of that was purchased in 1937 for 1938 consumption, because the manufacturers had announced a very large price increase, and obviously our newspapers were buying as much as they could get in 1937.

The point I am making is, we are carefully keeping to what we said we would buy, and that the Baie Comeau mill, in fact, is not taking anything away from the market, because we are increasing our circulation and our own requirements, and replacing that production.

Now in 1939, just about as bad business conditions, the purchases amounted to 67,000 tons, and for the first six months of 1940, the purchases amounted to 47,605 tons, and it is estimated that the total purchases for 1940 will be approximately 100,000 tons. We have, in fact, ordered that as an estimate already from our suppliers.

Having regard to the growth of the business of the owner-publishers, the excess tonnage which must be bought by them in the market, will probably increase substantially in future years.

In considering purchases of large tonnage of newsprint, we must always consider long-term trends, and we should avoid coming to long-term conclusions, based upon the events of a year or of a few months.

The following table shows what the purchases of newsprint by the *News* and the *Tribune* have been in two five-year periods, the first extending from 1932 to 1936, inclusive, and the second from 1937 to 1941, inclusive. We have made those two five-year periods, because the Baie Comeau mill came into operation in this one period we are considering.

We consider these periods to be thoroughly representative of good times and bad times, of years when publishers' stocks were high and low, and of years when new mills were built. Part of the purchases in the second period have had to be estimated, but we give our reasons and our basis for these estimates.

For the first five years we purchased an average of 113,975 tons, that is from 1932 to 1936.

For the period 1937 to 1941, estimating, of course, 1941 to be the same as 1940, we will purchase 99,371 tons per year.

Under present conditions and so far as we can estimate, it looks as if the excess tonnage to be purchased over and above the tonnage of both of our mills, will be about 100,000 tons per annum in 1940 and 1941.

The point I want to make there is that in making our statements at the time of the Baie Comeau mill we are now coming through with what we said we would do.

When the Newsprint Association was organized we joined it on the express condition that we were not engaged in the business of selling newsprint and should not contribute to any of its activities relating to selling.

In view of the chaotic conditions in the newsprint market which have frequently been described, both of the provincial governments insisted that the industry should put its house in order.

Reference may be made to the letters from the Honourable Mr. Heenan dated 4th March, 1936, and from the Honourable Mr. Taschereau, dated 5th March, 1936, to Mr. Vining, president of the Association.

The conditions which had brought about this deplorable condition had resulted exclusively from the practices of the selling manufacturers engaged in the sale of newsprint. Our company had not been concerned in them and was accordingly not brought into these discussions.

The selling manufacturers, under this pressure for action, nominated the Vining Committee. Mr. Vining's report states the object of the committee at page 13 to be:

- (a) To work out an adequate plan of tonnage distribution; and,
- (b) To satisfy the governments of the industry's good intentions in this respect.

Ontario Paper was not consulted or concerned in the appointment of the committee nor in the distribution of tonnage.

The selling manufacturers and the committee thereupon began the development of their plan of prorating tonnage.

The first step was a survey of the mills to determine the respective capacities.

The committee and every selling manufacturer knew and had always recognized that Ontario Paper was not engaged in the selling business but a suggestion was made that our Thorold mill should be surveyed. Mr. Vining accordingly wrote to us on the 13th April, 1936, as follows:

"Dear Arthur:

"I think you know pretty completely about the engineering survey of the industry now being made by the firm of Stevenson, Jordon & Harrison. We have not approached you about participating in this because we have appreciated your separate classification as a non-commercial mill.

"A suggestion has been made, however, that it would be very desirable to have your mill included in the preliminary part of the survey which has to do with determining accurate figures of the industry's productive capacity. It is pointed out that while we are on this job we should include in the capacity survey every mill in the country.

"Your mill and the Murray Bay mill are now the only two exceptions and I wonder if you would have any reason to object to the Stevenson engineers enquiring into your capacity by the same methods they have applied to other mills. This would, of course, not commit you to acceptance of the figures they may reach and I cannot see that it would prejudice or injure your position in any way. On the other hand I think there is a good deal of merit in the idea of having the industry's whole capacity calculated on a uniform basis. I would appreciate it if you will let me know how you feel.

"With kind regards, believe me, yours faithfully,

"Charles Vining."

We were not within the scope of the proposed proration plan at all and we therefore did not agree that our mill should be surveyed by the surveyors appointed by the other manufacturers and it never was.

In August, 1936, when remitting a cheque to Mr. Vining as president of the Association for a special assessment I wished to make certain that it should not be used for the purposes of the survey and other activities relating to the selling manufacturers in which we were not concerned and which would have been contrary to the conditions on which we had joined the Association. Accordingly, on the 5th August, 1936, I wrote to Mr. Vining who replied under date 7th August, 1936. These letters are as follows:

"Dear Mr. Vining:

"Enclosed is our cheque for the special assessment referred to in your letter of June 28. We wish it to be clearly understood by the Association that our position as a non-commercial mill is unchanged and that, in this position, our payment of assessment is to be regarded only as a contribution to the Association's general activities in promoting desirable conditions of stability within the industry to the benefit of manufacturers and consumer alike.

"As a non-commercial mill we have no part in solving sales problems of commercial companies and our payment of assessment is not to be used in connection with the recent engineering survey of mill capacities nor for similar activities in which we obviously have no participation. We are, however, glad to contribute to the general purposes mentioned above."

Mr. Vining's answer:

"Thank you for your letter of August 5th enclosing your company's cheque for \$5,968.32 in payment of the recent special assessment.

"I understand the point you make as to your position as a non-com-

mercial mill and believe this is well established and recognized in the industry. The recent engineering survey to which you referred clearly demonstrated the industry's recognition of your position since your company was excluded and was separately classified as a non-commercial mill along with one or two others in similar position. The costs of this survey have already been paid by the commercial mills.

"Under these circumstances, I assure you that your position is clear and that your payment of assessment will be regarded only in the manner you have specified. We appreciate your contribution to the Association's general work. Yours faithfully, Charles Vining."

You will observe not only that Mr. Vining, representing the Association, of which all the other manufacturers were members, states that our position was recognized by all the industry but also that their action in dealing with the survey and in the formulation of their proration plan recognized it.

We heard nothing inconsistent with this position until about the end of December, 1937, or the beginning of January, 1938, when we learned to our surprise that an effort had been made and was being made by some of the selling manufacturers to induce the provincial governments, who had been asked to approve and assist in giving effect to the selling manufacturers' proration plan, to extend it to our company. We protested and on learning of the recognition of our separate and distinct classification and status fully recognized by all the other manufacturers up to that time and after careful consideration of the whole matter, the governments refused to do so.

This has been referred to by some of the selling manufacturers, as an exemption, granted to us as a favour by the governments, whereas, in fact, it was only a recognition by the provincial governments, of our separate and distinct classification and status, which had always been recognized by all of the other manufacturers themselves up to that time.

In as much as the recognition of our different classification and status had been based upon our announced policy of staying out of the business of marketing newsprint, both the provincial governments intimated that they should have a direct assurance from us that this basis would be maintained, and accordingly we wrote letters in identical terms to the Prime Ministers of both provinces, dated 17th January, 1938, one of which I should like to read to the Committee.

This letter is as follows:

"Dear Sir:

"I write this letter to confirm what I have said and undertaken on behalf of the Ontario Paper Company Limited, at our recent interviews in Montreal, with regard to the position of my company as a non-commercial newsprint manufacturer.

"I reaffirm the facts that the Ontario Paper Company Limited, a subsidiary of the *Tribune* Company, was incorporated as a manufacturing department of the *Chicago Tribune*, for the purpose of providing newsprint for the *Chicago Tribune* and its wholly-owned affiliates; that in accordance

with its settled policy, it has never produced newsprint for sale commercially but only for the *Chicago Tribune* and its affiliate, the *New York News*.

"The position of the Ontario Paper Company Limited as a non-commercial mill—not engaged nor intending to engage in the manufacture of newsprint for sale commercially or for delivery, directly or indirectly, to any publisher other than its affiliates above-mentioned—has hitherto been recognized by the other Canadian newsprint manufacturers, and also by the governments of Ontario and Quebec.

"I now confirm the verbal undertakings which I have given to you, viz:

"Its position as a non-commercial manufacturer being recognized, the Ontario Paper Company Limited:

"(a) Will not sell newsprint to any publisher other than its above-mentioned principals;

"(b) If at any time the Ontario Paper Company Limited should have a surplus of newsprint, after providing for the requirements of the above-mentioned principals, the *Chicago Tribune* and the *New York News*, it will shut down its paper machines sufficiently to limit its production to the requirements of such principals, and will in no event sell or dispose of such surplus on the market;

"(c) The Ontario Paper Company Limited will not, during the period of five years from this date, install any new paper machines in addition to those now installed at Thorold, Ontario, and Baie Comeau, Quebec (the now installed mills at Baie Comeau include the machines recently purchased and installed, and about to be placed in operation).

"I have the honour to be, yours very truly,

ARTHUR A. SCHMON,

President, the Ontario Paper Company Limited."

Thus, the position of the Ontario Paper Company as a non-commercial mill, which was first affirmed to and recognized by the other manufacturers in 1920, was affirmed to and recognized by the governments of both provinces in 1938.

I would like the Committee to clearly understand that the extension of proration to Ontario Paper Company would not be only to require its owners to leave idle a large part of the plants which they have built to supply their own requirements, but at the same time, to require them to buy elsewhere the very commodity which the idle parts of their plants would be capable of producing for them. In the case of the selling mills, the prorating plan provides some offsetting compensations, because, when a selling mill curtails production, it gets its share of the corresponding advantage resulting from the stabilization of the market price, and relief from the chaotic conditions in the market for newsprint.

There would be no corresponding advantage to the Ontario Paper. On the contrary, by curtailing production to the extent of approximately forty percent,

the cost of producing paper for its owner would be increased, and they would, at the same time have to buy the forty percent from the selling manufacturers.

The extent to which each selling manufacturer would participate in this confiscation would be relatively small, even if the consumption by the *Chicago Tribune* and *New York News* were not reduced. But, in addition to that, the owners of the Ontario Paper, after having spent their own money in order to obtain the product which they require for their business, would be compelled not only to pay higher costs for what they should be allowed to get from their own subsidiary, but also to buy the balance in the open market.

Neither the selling manufacturers nor the investors to whom they sell their securities would be under such a disadvantage; and the result would be that the owners of the Ontario Paper would be at an enormous disadvantage, in regard to their competitors and their own publishing business.

It cannot be impressed upon the Committee too strongly that the selling manufacturers are really asking for two things; first, to reduce through proration the production of the Ontario Paper; and, second, to compel our owners to buy from the selling manufacturers at market prices the tonnage which we would have to give up.

There is no advantage to the Quebec and Ontario companies if the owners of the *Tribune* and *Daily News* do not purchase paper from the companies located in these provinces.

Furthermore, if a manufacturer has constructed a mill for the production of a commodity for which there is an insufficient demand here, why should a person who has constructed a mill for his own supply be asked to indemnify the former for all or part of his loss?

The case is comparable to an owner who constructs a building for his own use. If real estate speculators construct too many buildings in the same locality and cannot find sufficient tenants to occupy all the available space, no fair-minded person would suggest that the owner-occupier should be compelled to leave vacant a part of the space in his building which he requires and rent corresponding space from speculators in another building. If a farmer raising livestock has grown sufficient feed for his stock, can it be suggested that he should not be allowed to use his own supply of feed but should be required to buy part of his from his neighbours, in order to relieve the difficulties of other farmers who have grown feed more than sufficient for their own purposes, for sale on an insufficient market?

MR. DREW: I do not want to interrupt you, and we are not to appear perfectly serious, but is not that what has been attempted in a jurisdiction not very far distant from here?

A. I do not understand.

Q. To control the output of feed on certain farms, when they should have used it for more livestock?

A. Do you prevent the man from using his own feed?

Q. I do not think it is right, but I think it has been tried?

A. You will be interested in the proration plan in the United States for coal companies. They exempted steel companies from that plan. The coal that they want, the coal of a steel company is called captive coal, and is free from proration.

THE CHAIRMAN: Are you sure of these facts?

A. I am positive of it. To-day I telephoned our law office in Washington, and this is the statement they give me —

Q. Is this in this brief?

A. No, sir, but this is the statement telephoned me here to-day. The point being raised, I felt I should be prepared for it, and having read the evidence. This is from a firm of lawyers who have dealt with a large number of coal operators in the United States and know the facts: There have been three Guffey Acts. The first two were passed in 1933 and 1935, and were attempted to control and distribute production. These were declared unconstitutional, and were not in existence long enough to be administered. The Act now in force came into force in 1937.

It is a marketing Act, pure and simple, and makes no attempt to prorate tonnage among the purchasers. Under this Act steel companies owning coal mines are exempt. The tonnage so exempt is known as captive tonnage, that is tonnage which does not go on the open market. And for these purposes steel companies go to Washington, claim exemption of their own mines, and get it.

Q. I do not intend to divert you from reading it, but the illustration, which seems to be a very strong illustration, I think,—however, it is one that has been actually tried,—about the distribution of growth of feed when a person has livestock to consume it. However, I do not want to stop you on what you are saying.

THE WITNESS: The proposal of some of the selling manufacturers that their prorating plan be extended to the Ontario Paper, now again put forward by some of them, completely ignores the fact that the tonnage available to Ontario Paper was brought about by the successful efforts of the owners of Ontario Paper to extend their publishing business. The owners by their application to the problems of their business, foresight and ability, had been successful in expanding the circulation of their newspapers, which has naturally resulted in a greater tonnage of newsprint required by them from Ontario Paper.

The field of newspaper publishing is a very competitive one, and during the last twenty years there have been many casualties. In this period many newspapers in the United States have ceased publication, and many others have been absorbed or amalgamated. Publishers have had to meet competition from sources other than the daily newspapers, particularly from radio, and the great increase in weekly magazines, with the result of greatly curtailed advertising available to the newspapers. The hazards of the newspaper publishing business are probably best illustrated by the troubles in which the once great Hearst publications now find themselves.

Notwithstanding these difficulties and trends, the owners of Ontario Paper have during this period greatly increased the circulation of their papers, the *Chicago Tribune* and the *New York News*, and, consequently, the tonnage of newsprint to be supplied by Ontario Paper. They have done this by their own ability in an attempt to give the public more value for their money.

By the undertaking given by Ontario Paper in 1920, and affirmed in 1938 to the Honourable Mr. Duplessis and the Honourable Mr. Hepburn, the owners assumed in full the hazards above referred to and the risk of having to be successful in the maintenance and expansion of the newspaper publishing business of suffering severe losses which would result from shutting down machines, rather than selling newsprint on the market.

The selling manufacturers have assumed none of these risks, and have made no contribution to the success of the owners' business.

I find it difficult to believe that when the record is considered by this Committee it would recommend depriving the owners of Ontario Paper Company of a substantial part of the fruits of their efforts in order to divert to the selling manufacturers what it is proposed to take from the owners of Ontario Paper.

If the proration plan of the selling manufacturers were extended by government authority to the owners of Ontario Paper, it would mean that the owners of Ontario Paper would be deliberately deprived of the benefits of their own initiative, foresight and energy. Further, the incentive which has contributed to such a large consumption by the owners' newspapers of Canadian newsprint would no longer exist. It would in fact be reversed. In this respect it will be noted that when the price of newsprint was increased by \$7.50 a ton to the present price of \$50 a ton, there was a substantial reduction in the consumption of newsprint generally; and while it is not suggested that there were no other contributing causes, the increase in price was undoubtedly a fact which led other publishers to exercise ingenuity to reduce the amount of newsprint required in the publication of their newspapers.

If proration were imposed on Ontario Paper, it is very doubtful how much increased tonnage would become available to the selling manufacturers, because the owners of Ontario Paper would probably have to curtail the consumption of their newsprint. For instance, the *New York News* recently introduced a pre-dated Sunday issue, which is sent by train or boat three weeks before sale, to all parts of the world. This issue alone has a circulation of one million two hundred and forty thousand on each Sunday.

Since the installation of the Baie Comeau mill, both the *Tribune* and the *News* have published extra sections of comics and other features. I have just looked up the statistics of that, and find that has increased by five percent in the comics; and that is since the construction of the Baie Comeau mill.

The imposition of proration would greatly minimize the incentive to increase circulation by the owner-publishers.

I would like to emphasize, for the consideration of the Committee, the important contribution that the Ontario Paper Company Limited and its owner-publishers are making to Canada's wealth.

Let me state some facts briefly: Since 1913, our company has expended in Canada for materials, payrolls and taxes, \$153,736,000.00.

Since 1920, \$85,000,000 worth of newsprint has been purchased by our owners from other manufacturers, in addition to substantial purchases made between the years 1913 and 1920, the amount of which is not presently available. That money has been a part of our contribution to the standard of living in Canada during the twenty-seven years of our operations here, over and above the amount spent in our own production.

The total amount of money that the *Tribune* and *News* paid for newsprint purchased, including our own, amounted to \$37,000,000 last year.

Approximately ten percent of all the newsprint consumed in the United States is consumed by our owners' two newspapers. Their purchases are all made in Canada, and accounted in 1939 for about 5.25 percent of the total exports from Canada.

MR. DREW: You mean by that, of the total exports from Canada?

A. Of the total exports in 1939, which were \$392,631,000; and the purchases that they took last year amounted to \$17,937,000.

THE CHAIRMAN: I am going to ask you to explain this, Mr. Schmon. I understand that most of our newsprint is exported to the United States. Now, if the consumption of the two newspapers which own your company represents five percent of the total exports, surely it must be less than ten percent of the consumption in the United States, because the United States produces some newsprint there, surely?

A. The total consumption of newsprint in the United States can be found, and you can check on the statements that have been submitted in writing in the printed brief.

In 1937, the latest figure, I have it here, the total United States consumption was 4,246,000 tons of newsprint. And the total consumption of the *Chicago Tribune* in 1939 was 346,254 tons.

THE CHAIRMAN: Is not that then five percent of the total exports from Canada?

A. Yes. The cost of that paper represents five percent of the total exports from Canada.

THE CHAIRMAN: Q. Do you mean of newsprint exports?

A. Of all exports. That is what I am trying to make clear.

MR. W. G. NIXON: What figure did you give before?

A. 326,254 tons.

THE CHAIRMAN: Q. That is the total exports from Canada to the United States?

A. 3,341,000 tons.

The point I am trying to make as to our contribution to Canada is, that these purchases constituted an important provision by the United States dealers available to Canada.

Except for a small issue of preferred shares, long since retired, which were purchased by employees and directors, we have never paid any dividends or made any distribution of capital,—I would like the whole of the Committee to pay attention to this,—but have reinvested all our resources in our Canadian properties.

In the circumstances which I have stated, we believe and submit that there is no justification for extending to the Ontario Paper any policy of prorating newsprint tonnage.

The well-founded recognition of the difference in the status and position of Ontario Paper as a non-commercial mill has been clearly demonstrated, I feel, and I would ask that this Committee do so find in its report.

THE CHAIRMAN: Have the Committee any questions to ask?

MR. DREW: How long have you been with the Ontario Paper Company?

A. I have been with them since 1919, since immediately after the war.

MR. DREW: I have no further questions, Mr. Chairman, unless Mr. Schmon has anything he would care to add, in regard to the general situation in this industry.

Q. I understand your purpose is to present these facts, in regard to that specific aspect of the proration problem, which has been discussed by you here. And if, growing out of any of the appendices to this report, further questions should arise, it may be possible, before any report is presented, to communicate with you and get further details about that? But, having regard to your connection with this industry since 1919, I would only ask if there is, from your knowledge of the industry, anything which you would desire to add?

A. I have not anything to suggest except as the Committee might want to ask me any questions.

Q. I might say, frankly, that a great many questions have been directed to the financing, the forestry methods, and the conduct of the business generally, and so on, of other companies. But it would appear to me that it is putting you, where you are insisting upon a special position, in an embarrassing position to put you in the position of one in the other field. For that reason, I would not care to ask any further questions, unless you care to add something to what you have already stated to the Committee?

A. No, I have nothing else to submit.

HON. MR. NIXON: Are you importing any wood from Quebec for your Thorold mill?

A. Yes, we have had two properties which we have been operating since 1919.

Q. How many cords are you getting from there?

A. We cut a hundred thousand cords of wood there this year. How much of that will arrive at Thorold will depend upon the drive and the shipping facilities, which may be scarce this year, and other factors.

THE CHAIRMAN: You import some pulpwood from Quebec, where do you get it from?

A. Quebec, adjoining Baie Comeau we have some limits along the north shore of the Gulf of St. Lawrence.

Q. And that is where you bring your pulpwood from?

A. Yes. This may be of some interest to the Committee, because in looking over the evidence, I noticed there have been a number of questions asked about the number of mills that were in existence in 1913.

In 1913, when we came into production, the total amount of tons made in Canada were only 350,000 tons: and there were a certain number of companies, I think about six or eight or ten companies. In the period from 1920 to 1930, these older companies that were established put in twenty-five machines, as part of this period of expansion; but the new companies that were organized, some twenty new companies, installed sixty-one new machines between 1920 and 1930; most of them in the period between 1925 and 1929.

HON. MR. NIXON: The capacity of the machines was not the same?

A. No, a machine may have a certain capacity when estimated; but through improvements in machinery and methods and the art of making paper, the capacity of that machine has increased.

MR. DREW: There is just one point here that I must admit I have some difficulty in understanding. I am referring back to page 27 of your brief,—I think I have it clearly now. When you say that the purchases for 1929 amounted to 5.25 percent of the total of all exports from Canada, you mean the purchases of these two newspapers?

A. I meant that the papers not only purchased from us but also from the other Canadian suppliers.

Q. In other words, the purchases by the *Chicago Tribune* and the *New York News* amounted to 5.25 percent of the total of all exports from Canada to the United States for that year?

A. Yes.

THE CHAIRMAN: Thank you very much, Mr. Schmon, for giving us your views on this matter.

EXHIBIT NO. 46: Statement of Mr. Arthur Schmon, read before the Committee.

EXHIBIT NO. 47: Figures as to the number of men employed in this industry in Ontario, in the bush and in the mills, to be supplied by Mr. Thomson.

THE CHAIRMAN: Is Mr. Draper here?

HON. MR. HEENAN: We have sent for him.

SELBY DRAPER, recalled:

THE CHAIRMAN: All right, Mr. Elliott, have you any questions to ask Mr. Draper?

MR. ELLIOTT: Q. Mr. Draper, will you refer to Exhibit 41? You undertook to furnish some statistics. You have here a statement showing the aggregate of the rent received from lots leased or licensed in the year 1939?

A. Yes.

Q. I think there are 215 lots or parcels, is that right?

A. Yes.

Q. Totalling 313 acres.

A. Yes.

Q. And that the total revenues are \$43,300 odd?

A. Yes, sir.

Q. As I work that out, each of the parcels averages 1.4 acres, and that the rent for each parcel was \$200.00, or a rental of \$140.00 per acre. Is that the amount of rent which you received?

A. Those are the correct figures of the total amount of the rental.

Q. Do you suggest that they are correct, that you get an average of \$140 per acre? My understanding would be that you probably would be receiving in the neighbourhood of \$20 an acre?

A. I would not think the average would be \$140 an acre.

Q. Do you not think those figures are obviously wrong?

A. I would not like to say that, I got them from a reliable source, the Accounts Branch.

Q. Do you suggest that you received \$140 an acre rental a year?

A. I am suggesting that this is the amount that was received.

Q. But you got in 215 leases at \$200 per lease, at the annual rental of \$200 per lease,—that is what it works out at?

A. Does that cover town lots, too? 215 parcels covering 313 acres for a rental of \$43,369.00,—that of course includes everything that was leased or licensed, such as town lots, town areas, areas that are set aside for reserves for water power, that is storage reserves for water; and all other areas similar, that are used for that purpose.

THE CHAIRMAN: But are all these areas included in the 314 acres, or is it in addition to the 134 acres?

A. That is leases covering 313 acres.

MR. ELLIOTT: Q. You state in this statement that the summer resort leases are 215, and that the rental is \$43,300; so that every summer resort license that statement contemplates that you received an average of \$140 an acre annually?

A. As I say, this includes townsites; it does not say summer resorts only, and it may include towns.

HON. MR. NIXON: Obviously, that acreage could not include much for water storage purposes?

A. No.

THE CHAIRMAN: The number of licenses for occupation and leases from summer resort parcels issued during the year ending March 31, 1940, 215; covering an area of 313.942 acres,—roughly 314 acres?

A. Yes, sir.

Q. For a rental of \$43,369.66. What we were interested in principally was summer resorts. You mentioned a while ago, areas set aside for water storage purposes, or water development, and, as Mr. Nixon points out, you cannot have many of such areas included in this area?

A. I did not intend to suggest that it covered large water storage. But these items cover something beyond the parcels here.

Q. You show a rental for the 215 parcels of \$42,369.00. Is that the rental for the 215 parcels, or is that rental, also, for something else?

A. The \$43,000 is rental for these 215 parcels.

MR. ELLIOTT: Q. Then you suggest that you received \$143 per acre?

A. I am not saying that.

MR. ELLIOT: Mr. Chairman, the statement is obviously wrong. This statement says it includes certain things, and then the witness says it may include some other parcels. Then, can you say you received an average of \$143 an acre?

THE CHAIRMAN: As far as that is concerned, we can do the figuring for ourselves.

Can you give us any explanation on that point, Mr. Cane?

MR. CHAIRMAN: I have not seen this Exhibit before, so that I cannot speak as to it; but it may include some areas for water powers.

THE CHAIRMAN: Q. What does it show, Mr. Draper, as rentals for the summer resorts?

MR. ELLIOTT: That is not given in the statement.

THE CHAIRMAN: Yes, I have it here in the 1939 report. I suppose you have the same figures as in 1939 report, this at page 35.

The report of the Department should be a statement of the revenues of the Department of Lands and Forests for the fiscal year ended 31st March, 1939. Rent: first of all, Waterpower leases, and then, Other Leases and Licenses of Occupation, \$60,053.31.

Now, that is the total amount received in that year for summer resort purposes and other leases, is it not?

A. I take it that the figures quoted as of March 31st, 1940, are as compared with the figures given in the report on the same category.

Q. But not for the 215 parcels?

A. Yes, for the 215.

MR. ELLIOTT: Do not you think, Mr. Draper, that an average rental of \$15.00 per parcel would be about your average rental for 215 parcels, which would be something over \$3,000 for the year. You are dealing every day with licenses for summer resort properties, and sometimes you have 5,000 acres, sometimes as high as 25 acres, but as a rule they are for five and ten acres apiece?

THE CHAIRMAN: Mr. Draper, may I put it in this way: For the fiscal year ended March 31st, 1940, you received for the 215 parcels a rental of \$43,369.68. Now, if you had issued a similar number of licenses or leases for a period of ten years prior to that time, at the same consideration, you would have had an income in your Department from those resources of over \$400,000. Is not that the total revenue received by the Department from those summer resorts?

MR. W. G. NIXON: Mr. Chairman, should we not have a breakdown of the total revenue received for these parcels, in order that we may have a complete report?

MR. CANE: May I be permitted to interrupt?

THE CHAIRMAN: Certainly.

MR. CANE: May I suggest that for your purposes a statement should include the rental received on each and every parcel, whether it be a rental or a lease for water power purposes or for a sawmill or for a pulpmill, or anything of that kind. Then you will have a complete picture and will be able to segregate the particular parcels.

On page 35 or 40 of our Annual Report, we select each and every case that we deal with throughout that year, either by sale or lease, if I recall correctly, and put it into the report. And that statement is already prepared in the report for that year, I believe even to the acreage. We should not have any difficulty, if we put in the complete data that you require.

THE CHAIRMAN: Yes, substituted for this Exhibit No. 41.

MR. ELLIOTT: Mr. Draper, you were asked also to put in a statement of the lands sold for all purposes, together with the acreage.

THE CHAIRMAN: Might I suggest that that be put in the same statement with the acreage and the price.

MR. DRAPER: We have the number but we have not the total amount.

MR. ELLIOTT: What is the total number sold?

A. One hundred and fifty.

Q. You sold one hundred and fifty parcels for cottage sites, and the total acreage is 133?

A. Yes.

Q. Were you not able to figure up the amount received?

A. We are able, but we have not had an opportunity yet.

A. You filed that statement last Thursday. Haven't you been able to figure it up in the meantime?

A. No, we have not yet.

Q. Mr. Ferguson told us in his evidence that the average price per acre for Crown land sales for cottage purposes would be about \$25.00 an acre, so that that would be about \$10,000 or \$11,000 as the amount received for land sold for cottage purposes?

A. Yes.

MR. DREW: I want to make an observation while this matter is before us, that in the newspapers in the last two or three days there have been estimates of the enormous increase in the tourist business from the United States that

Canada will have. I saw an estimate that we might expect 20,000,000 people from the United States to Canada this year. And it does seem to me that it is of the greatest importance that facilities of some kind be arranged which will make it possible that persons who seek property for rental or purchase, may obtain all necessary information with the greatest facility possible. Because, unless we can do that, we are going to lose an opportunity to make permanent residents in Canada of some of these tourists.

Here is an opportunity to attach people to our soil by making tourists regular summer visitors.

MR. ELLIOTT: In reference to the question of the sale and lease of lands you have considerable to do with that as you are the chief clerk in the Lands branch?

A. Yes, sir.

Q. I think we were told the other day that the price you determine people have to pay for land is fixed in the Department similar to the rentals that are fixed when each application is received, is that not correct?

A. It depends on the report. The report is made.

Q. If a person makes application to buy a cottage site, you are not in a position to inform him what the price is that he will have to pay?

A. Unless we have previously ascertained the value of the land as a result of inspection.

Q. That is unless somebody else has made application for that site and you had had a prior inspection made.

A. Not necessarily. There are a number of parcels that have been subdivided or inspected in the province of which we do know the price.

Q. I am not referring to the price of subdivided lands, I am referring to the average man that applies to you. Most of them are Americans who make application to the Department for a price that they will have to pay, and you are not in a position to inform them what they will have to pay; you have to make an investigation after you receive their application?

A. As I say, not unless we have previously ascertained the value of that land.

Q. Unless it was subdivided.

A. No, not unless we have previously ascertained the value.

DR. WELSH: For instance, here is a lake in north-eastern Ontario, you have not that subdivided unless somebody comes along and makes application for a parcel on that lake?

A. Not subdivided, no. But we quite frequently know the value of the land obtained from an inspection in the locality, you see.

Q. By whom?

A. By the Department's officer.

Q. Why is that inspection made?

A. For instance, very frequently when an inspection is made of land or a summer resort parcel, we request the inspector to place a value on adjoining land.

Q. Yes, but that is only done when you receive an application for that site? Is not the application the initiation of the inspection?

A. Not always. We have reports on some areas that have not been inspected.

MR. ELLIOTT: Is it not a matter that can be readily done to furnish the Department with information fixing the price on a particular area on a lake?

A. It can be readily done as a result of inspection.

Q. Then it would not be difficult to have a survey of a lake made, so that you would know the price of all parcels on that lake?

A. Might not be difficult; it would be very expensive though.

Q. Do you think it would be expensive? I do not refer to a survey, I mean, just to have a report made so that you could fix the price, because you fix the price before you request the survey, do you not?

A. Not always.

Q. You do not?

A. No.

Q. Then a man might have to locate his property, and might have to go to the expense of having it surveyed, before you can tell him the price he will have to pay for it?

A. Not necessarily. We don't require him to survey it.

Q. You just made the statement, that in some cases you cannot give the price until the property is surveyed?

A. No, no, I didn't say that.

Q. Well, it is in the record.

A. I said, "inspected". You are confusing the word "survey" with "inspection".

Q. You give a man a price first, then you request him to file a survey?

A. If the land is not surveyed, yes.

Q. From what you recently said, it follows, therefore, that you can get a report as to the value that should be placed on land bordering the lakes, without the necessity of having the property surveyed?

A. Unless it is of such a nature that it is difficult for the inspector to know what particular parcel the man is applying for. That sometimes occurs.

Q. Then, sometimes he has to furnish a survey, before you can give him a price?

A. Yes.

Q. So a person seeking a cottage site might be in the position that he would have to not only make application, but go to the expense of having a survey made before you can give him a price?

A. Yes, for the reason that situations vary in certain waters. An island that might appear as an island, would be part of the mainland prior to the raising of the water, or something of that kind.

Q. I take it, you require a survey before you give a price. I do not think, except in very rare instances, anybody would go to the expense of having a survey to find out what price they would have to pay for land?

A. We sometimes have. The first we hear from the applicant, the survey is filed.

Q. You believe, of course, in keeping up the revenue of the Department?

A. Yes.

Q. I suppose you regard that as one of your chief duties?

A. Not necessarily.

Q. In any event, we will pass on from that question. We have had some evidence on the difficulties of procedure. On the question of water lots, Mr. Draper, there is nothing in the regulations covering the leasing of water lots, is there? There is nothing in the departmental regulations covering the leasing of water lots?

A. Only in a general way.

THE CHAIRMAN: I think we have had that before. There is nothing in the regulations, but they are regarded as Crown lands and dealt with as such. I think that was the answer given us the last time the witnesses were here.

WITNESS: And in practice.

Q. I beg your pardon?

A. And in the practice of the Department.

MR. ELLIOTT: As a matter of fact, in reference to water lots, it is a matter for the discretion of the departmental officials, whether any charge is to be made for boathouses situated on what you believe to be Crown lands?

A. It is a matter for the Minister to decide, certainly.

Q. I think Mr. Crosbie told us the other day, that in his district, there are very few water lots under license. To your knowledge, is that correct?

A. I think there are comparatively few in that district.

Q. The position is, then, that the great majority of people are not paying any rentals for boathouses situated on what you believe to be Crown lands, while the odd individual is paying? Is that not the situation?

A. I do not know how many there are who are occupying water lots, and who are not paying rent.

Q. The great majority are not paying licenses; you know that?

A. I do not know that.

Q. You do not know that?

A. We haven't any evidence to that effect.

Q. We have the evidence of Mr. Crosbie, who stated there were very few. I would offer the suggestion, Mr. Draper, that you probably would not find one in five hundred in these districts.

A. That is your suggestion, not mine.

Q. Do you think it is a correct one?

A. I would not care to pass an opinion on it.

Q. You would not care to pass an opinion on it?

A. No.

MR. W. G. NIXON: You do not determine the policy in respect to charges?

A. No, sir.

MR. ELLIOTT: The reason I offered that suggestion is this; that Americans usually think that they are being discriminated against, when demands are made upon them to pay a license fee for a water lot, when they know that their neighbours are not paying any license. You have had cases drawn to your attention like that?

A. We have one specific case in which you are interested.

Q. In which the Stoney Lake Cottagers' Association is interested, Mr. Draper.

A. Put it that way if you wish.

Q. In that particular piece, you ran into this question on inland waters, that as a result of the erection of dams, lands have been drowned and it is questionable whether cottages are situated on private property or on Crown property. Is that not so?

A. That is questionable, with reference to Stoney Lake.

Q. We will take Loon Lake, where there is a rise of seven feet; we will take the waters in Victoria County; they are all similarly affected by the erection of dams?

A. There is no land on Loon Lake that is seriously affected by that old dam, that we are aware of.

Q. There is no land seriously affected?

A. On Loon Lake.

Q. No, there is not; I will agree with you there.

But do you not think it would be a good thing if this Committee were to make a recommendation, so that there would be some definite policy laid down respecting water lots, so that there would be uniformity in the procedure?

A. There is a definite policy now.

Q. I suggest there is not, because I have never been able to find out how you deal with water lots. When these American tourists make application to you, do you simply inform them that the price will be such and such, and that they will have to provide a survey. Is that your usual procedure?

A. No, I do not say that. First, I would like to put you right on your suggestion that we are discriminating against Americans who buy summer resorts, because we are not. They are all treated the same. All applicants are treated the same respecting summer resorts.

Q. I think, if you were to examine specific files, you would see that there appears to be a lack of uniformity in your methods of dealing with applications. I am not saying it is done purposely, but, with the system you have of fixing prices, your prices vary?

A. Not as discriminating against Americans.

Q. Your system leads the Americans to think so?

A. No reason that they should.

Q. Well, I suppose you appreciate the fact that, when an American locates a cottage site which you sell to him, that benefits not only the Department of Lands and Forests, but we have increased our revenue in gas taxes, hunting and fishing licenses, and in many other ways?

A. As I say, we treat them just the same as any other applicant in that way.

Q. Well, you have told us, Mr. Draper, that sometimes you have information in the departmental files from prior inspections, which enable you to furnish applicants with prices readily, without the necessity of having a further inspection made?

A. Yes, sir.

Q. Then, it would not be a difficult matter for you to take a lake, for instance, and to have information on file concerning that lake, not only in your Department, but in all of the district offices, fixing the prices of land on all parts of that lake?

A. We have done that in previous cases, and we find we have gone to a great deal of expense, and the province has spent a lot of money in subdividing ———

Q. I am not referring to surveys. You do not have a survey made when you get these reports, in order to fix prices. Without survey, would it not be an easy matter for the Department to get information on file, so that you could fix the price of land on all parts of the lake?

A. We might pick out a lake, yes; but the price this year might not prevail next year.

Q. That is what I noticed.

A. And for that reason, if you will allow me to suggest it, the cause of that is that fires may get through the neighbourhood and change the outlook altogether, and timber is cut and removed and the situation is changed; roads are built in, and a lake upon which the land might be worth \$15.00 an acre or \$50.00, might not be worth a quarter of that the next year.

Q. It is always muddled, in any event, because the prices never seem to be the same from year to year?

A. They are the same from year to year, unless conditions change. It is a market value every time.

Q. A previous witness from your Department agreed that prices vary from time to time, also that the price of licenses varies from time to time. The point I am making is this: that the playgrounds of Ontario, that is, the Crown lands, are in the hands of the Crown, and that you should do everything you can in the Department to make it easy for tourists to locate sites for cottages?

A. That is what is being done.

Q. Well, if an American wrote to you with respect to a certain lake, would

you be able to give him any information as to the nearest improved highway, telephone service, postal service, the size of the water and the fishing game in the water; could you give him information of that kind?

A. Yes.

Q. Do you?

A. We do not guarantee fishing facilities, of course.

NON. MR. NIXON: What do you mean by "game in the water"—swimming?

MR. ELLIOTT: No, game fish. If you go to a district office now, as a district officer told us the other day, you could not get information as to the price of a certain parcel and the applicant would have to write to Toronto. It would seem to me that all this information should be compiled, and be in the hands of the Department, and in the hands of every Crown officer, so that it would not be a matter of long negotiation to get information that would lead one to decide whether he is going to locate on a certain lake or not. You will agree, Mr. Draper, that the files of the Department involve substantial expense, that is, the correspondence necessary under the existing system with applicants?

A. They are an expense, yes.

Q. You follow the policy concerning a great many waters, of preferring to lease rather than to sell?

A. Yes.

Q. And your license fee as a rule, is about \$10.00 an acre, is it not?

A. For summer resorts?

Q. Yes.

A. Yes, sir.

Q. Do you think it would be preferable for the Department to sell rather than to lease?

A. No, sir.

Q. Do you think that the \$10.00 a year which you receive absorbs the administration costs in connection with one license?

A. It produces an annual revenue.

Q. It produces an annual revenue, but, having regard to the cost of the administration of the Lands Branch, do you not think it would be better to eliminate that file and sell the property?

A. It would not be a continuous revenue to the Crown as it is now.

Q. Your revenue is more than absorbed by the cost of administration? You will agree with that statement?

A. No, I would not.

HON. MR. NIXON: Might it not be more advantageous to the development of the country to sell it outright rather than keep it on a lease basis?

A. On a lease basis we have an annual revenue.

Q. Yes, but a few thousands of dollars of revenue to the Department is of small consideration, compared with the development of the whole country?

A. It doesn't prevent development.

THE CHAIRMAN: Would you spend \$20,000.00 cash on a piece of rented property, when you know that in seven years, the price may be jumped up to three times what you are now paying?

A. I am not arguing as to the amount of expense that might be put on, but I might say that not one timber license in the province extends beyond the 30th of April each year, and they have millions spent on their property. Why couldn't the summer resort man do the same thing? They are doing it.

DR. WELSH: I am told that in connection with the Loon Lake, when they bought their properties outright probably \$250,000 was spent in there, and since the rental system has come into effect there has not been anything spent.

A. I do not think the rental system you speak of prevails on Loon Lake.

Q. It does now. I am told by people who seem to know, that the rental is disturbing the enterprise?

A. Well, we have had very, very few complaints about it.

Q. Maybe there are few to complain.

MR. ELLIOTT: The information is, that in a short space of time, \$200,000.00 was spent in cottage development and tourist development, but since you have stopped selling property on that lake, and limiting your negotiations to leasing, there has not been anything in excess of \$5,000.00 spent.

A. My information respecting Loon Lake is to the effect that the reason we stopped selling was, that all available summer resort land on that lake had been disposed of. The north shore of it is under timber license. That is the reason we could not sell there.

Q. There is a lot of available space on Loon Lake. There is a shore line of 30 miles?

A. Covered by timber license, yes.

Q. You take the Mississauga Lake, where you had a survey made some years ago, also Catchacoma Lake in connection with which you will remember Mr. West of Cleveland. You remember that file, Mr. Draper?

A. Yes.

Q. Well, there was a survey made, and a subdivision made on part of Catchacoma Lake and part of Mississauga Lake. Since the subdivision was made no land has been sold in the subdivision?

A. I do not think that is correct.

Q. Mr. Crosbie stated that in evidence, and that is my understanding?

A. I think some lands have been sold in those subdivisions. There are about three of them, I think.

Q. In any event, all of the available land on Catchacoma Lake has been sold for cottage sites, while the adjoining Crown land which was subdivided has not been sold. I am going to suggest the reason is that you are holding the land at too high prices.

A. The price that is usually set on any subdivided parcel, and I presume that applies to the one to which you refer, is that valuations are recommended by competent officers and fixed accordingly.

Q. Well, on Mississauga Lake to the south you refused to sell land which, although application had been made, you insisted that the parties lease?

A. I am not familiar with that correspondence, so I am not in a position to say. I will be glad to get the facts if you will give me the lot.

Q. What I am suggesting is, that you would have disposed of a lot of subdivided land if you had put the price down, and that you would have sold some of the lands that have been subdivided if you had consented to sell them, instead of insisting on leasing them. You believe that the present procedure is the desirable procedure to govern and regulate the sale and leasing of Crown lands for cottage sites?

A. I would not like to express an opinion on that.

THE CHAIRMAN: You surely should not ask a civil servant to approve or disapprove of what this government does.

MR. ELLIOTT: He has been there for 35 years.

THE CHAIRMAN: Even so.

WITNESS: I have been there long enough to know not to criticize the government in its policy.

MR. COOPER: Probably you would not have been there so long if you did.

MR. ELLIOTT: But you submit readily to far-reaching changes in government policy —

HON. MR. HEENAN: You must not forget, Mr. Elliott, that the demand for summer resorts is growing now. You could have all the areas in the north country in Ontario surveyed at large expense, and you might not get an application for any one of them.

MR. ELLIOTT: Not at the price you charge.

HON. MR. HEENAN: Then, again, the policy has been changed from time to time by various governments, and I have not changed the situation since I came in. At one time they sold outright. As Mr. Nixon says it would seem a better course, and yet we have found men purchasing summer resorts outright for no other purpose than to sell them at exorbitant prices; and therefore they were not sold. Then you will find a man putting up a cottage that costs him \$200.00 or \$500.00, occupy it for a while, and then it is burned down and he will desert it. It is out of the Crown then and nobody else can deal with it.

MR. ELLIOTT: For years now, you have made it a provision that they must build a cottage within 18 months, costing \$500.00, otherwise you would not sell.

HON. MR. HEENAN: Supposing you and I built a cottage and we sold it outright. In a year or two your family or my family grows up, and you are tired of that summer resort, and the cottage burns down and we go away. It is out of the Crown and nobody else can get it, because it is deeded to you. That is going on all the time. It changes from time to time.

MR. ELLIOTT: Will you furnish a statement to the secretary showing the sale of lands for summer resort purposes for the year 1939, together with the number of parcels, acreage, and the price received?

HON. MR. NIXON: That has been agreed.

WITNESS: Yes, sir.

THE CHAIRMAN: All right, Mr. Draper. We will now hear Mr. Irwin.

J. C. W. IRWIN, Sworn:

THE CHAIRMAN: Mr. Irwin, you have asked to be heard by this Committee. I understand you have certain suggestions to make. You may proceed.

WITNESS: Mr. Chairman, if I may be permitted to make a short preamble, I will make it as short as I can, I do not wish to cover more than is necessary for clearness.

MR. COOPER: Would you mind telling the Committee, so that we might have it on record, your status in appearing here, what employment you have had, and who you have worked for?

A. Yes, I do not mind, sir. I graduated in forestry in 1922. During my vacation before that I had been in various employments, including the Ontario Provincial Government. After graduating, I was on temporary work surveying in northern Ontario in the Missanabie area. It was called reconnaissance work. That work terminated at the end of 1922, and from there I went to Price Bros., where I was on fire inspection.

Q. How long were you with Price Bros.?

A. About two years.

Q. How long were you with the Department?

A. From July to about the end of December.

HON. MR. NIXON: As a fire ranger?

A. No; reconnaissance, Mr. Nixon, up in northern Ontario, and up on the C.N.R., above Sudbury for the most part. Since then, if I may go ahead, I went to New York on a visit, and stayed there for four years. I came back in the publishing business in 1928, and since that time have been in the publishing business. But my interest in forestry, of course, goes back, I presume, not only to my previous work, but also to my education, and the fact that I have associated a great deal with other similarly educated persons.

I do wish, however, to give emphasis to certain things that were mentioned, and to discuss points of which I have knowledge, but seem not to have been put into the evidence. These have to do chiefly with the personnel organization of the Department, and its handling of what might be considered scientific problems.

Perhaps a brief history of forestry in Ontario would not be amiss. The first forestry class was graduated from the University of Toronto in 1909, and since then classes of varying size have been graduated every year, a total to date of 268, of whom 77 percent are still engaged in forestry or allied work. The Commission will be interested in knowing that a young Norwegian, who recently revisited Canada after an absence of ten years, following his graduation from our forestry school here, assured a number of graduates that the course given in Toronto was the equal of anything they had in Scandinavia, and in his opinion, the faculty in Toronto inspired the men with an extraordinary zeal and enthusiasm which he had not noted elsewhere.

At first the graduates were almost entirely absorbed into the Dominion and British Columbia government services, with a certain number finding employment in pulp and paper companies. About 1921, the Ontario Government entered the market for foresters, and from then until about 1930 absorbed a considerable number, putting graduate foresters in charge of nearly all its district offices. In most cases, the district forester was given a graduate as assistant, and occasionally, more than one. Until the beginning of the present administration in 1934, however, the duties of foresters in the Ontario government service were entirely confined to fire protection, and it was a case of "hands off", as far as timber administration was concerned. The present government saw the unwisdom of such a policy, and moved immediately towards consolidating the

functions of fire protection and timber administration in the various districts. This was decidedly a forward move. Unfortunately, at that time some fifteen technical foresters were discharged in what was called an economy drive, including five men whose jobs consisted mostly of forest or silvicultural research. This wholesale dismissal had a demoralizing effect on the entire service, for no one knew who would be next. It should be remembered that this took place in the fall and winter of 1934-35, in the depth of the depression. With such a history in the Department, I think you will agree that it would be a very brave forester, indeed, who would even now criticize government policies. Foresters in the employ of private interests, who work under agreement with the provincial government, are also silent in public, for fear of repercussions.

I am not concerned, particularly, for the men who lost their jobs; five or more have been re-engaged by the Department, and some others have obtained more lucrative and better positions elsewhere. I submit, however, that whatever *esprit de corps* the forest service had developed at that time—and it was becoming a very efficient and devoted service—was given a tremendous setback, and this could not work to the benefit of our Ontario forests.

Unfortunately, some of the most important districts were left without any technical foresters at all, either in charge or in subordinate positions—particularly the Thunder Bay district, with headquarters in Port Arthur, which, even to-day, has no technical forester. I need not point out the amount of cutting that is going on in this district, not only by the large pulp and paper companies, but also by private individuals cutting wood for export. I think you will agree that this is a strange condition.

MR. COOPER: You read a sentence which I did not quite catch. It was something about there being no technical forester at Port Arthur?

A. I know of none, sir.

Q. There is a technical forester up there.

A. May I have his name?

Q. A man by the name of Dawson.

A. He is not a graduate of any school, to the best of my knowledge; not so considered. As a matter of fact, I have not been able to find him listed in the employ of the Department under district foresters, in the last report which is available in 1939.

MR. ELLIOTT: Is there an organization of foresters?

MR. HEENAN: There is a graduate forester at Port Arthur.

MR. ELLIOTT: What is the Ontario Association, if there is one?

A. It is not Ontario as such. Ontario is divided into three districts, each having sections of what is called the Canadian Society of Forest Engineers.

Q. Are you a member of that organization?

A. Yes.

Q. Are you here as an official representative of that organization?

A. No.

MR. COOPER: Go ahead, but read a little slower.

A. I am sorry; I had regard for time.

HON. MR. HEENAN: Yes, but there are statements already made, to which I feel I should object, because they should not go unchallenged. The statement was made that sixteen foresters were dismissed, which had a demoralizing effect upon the rest of the staff. The inference there is that because fifteen or sixteen foresters were dismissed, the remainder of the foresters were afraid that they might also be dismissed. I do not know of anyone in this Department who is afraid of me, and I think I am about the only one they need be afraid of.

HON. MR. NIXON: There is certainly no one in the Department who is demoralized, that is a sure thing!

HON. MR. HEENAN: Do you know why these men were dismissed, Mr. Irwin?

A. I would not like to venture a suggestion, Mr. Heenan. I am interested, however, that five at least have been re-employed.

Q. Have you any idea whether they were dismissed for cause or not?

A. There are various stories going about in that regard, but I would not comment on them.

Q. I do not think it is fair for you to make that statement, unless you know why these men were dismissed, because the inference, whether you mean it or not, is that fifteen men were dismissed —

A. Mr. Heenan, I will say this, that although you are technically the head of the Department, and I suppose will be considered responsible for the dismissals. I do not think you had very much to do with it.

Q. I had all to do with it. I had to sign it.

A. I am sorry to learn that, sir.

Q. Yes. There is no one else that I know of who could dismiss men in the Forestry Department, or any other department, except the Minister. I do not want to go into each one of these cases, because I have never done so, on the floor of the House, either here or at Ottawa, to say why a man was dismissed, never yet.

THE CHAIRMAN: You might proceed, Mr. Irwin.

WITNESS: Yes, thank you. One would wonder why these men desire to retain positions in the Ontario forest service, when it is pointed out that there are foresters who have been in the government service seventeen years, who are making only \$2,100.00 a year. One man, in the service for twelve years, is making \$2,000.00; another, thirteen years in the service, \$1,900.00. Apart from the Deputy Minister and the chief forester, who is chief forester in name only, only one man in the forest service (he is in charge of the central administration of the fire protection service), makes \$4,000.00 or over.

THE CHAIRMAN: Mr. Irwin, I am going to suggest one thing to you: The statements you have made so far, have managed to be rather offensive. The last one about the forester, who is forester in name only, is quite offensive. And, unless you are prepared to prove absolutely what you are saying, I suggest that you confine yourself to statements that are readily established.

HON. MR. NIXON: Maybe we could ask you for a comparative view of the thing—what your salary is.

A. It is considerably more than that, Mr. Nixon.

Q. It is lower than that?

A. Considerably more.

Q. More?

A. Yes. Mr. Chairman, may I correct your impression? I said, "chief forester in name only."

THE CHAIRMAN: Yes, chief forester in name only.

A. Well, if you prefer, I shall not take any more of these figures; I have other figures that I think are rather pertinent.

Q. We do not object, and nobody objects to your giving figures, but you might dispense with these comments which are rather offensive, and serve no good purpose; at least, I do not believe they do.

MR. COOPER: Did I understand you to say that the chief forester was chief forester in name only?

A. Yes, that is my statement.

Q. What do you mean by that?

A. A chief forester would be considered the man in charge of the forestry division throughout the entire province.

Q. Who is he?

A. There isn't one. Mr. Zavitz is called the chief forester. That is his title, but his work is confined, as came out in the evidence before, entirely to southern Ontario—practically entirely.

Q. He is in charge of reforestation. That is where they develop reforestation by tree planting, and his title is chief provincial forester.

A. His work is confined to southern Ontario almost entirely.

Q. Because his work is limited, does that cast any reflection on the manner in which his title designates him?

A. It casts no reflection, except the Department is supposed to have a chief forester, which one would conclude would be a technical officer in charge of its forestry operations, which is not the case.

Q. Who said they were supposed to have a chief forester? Is that in the regulations?

A. I am sorry, I do not understand the question.

Q. You said that the province is supposed to have a chief forester.

A. Well, if I used the word "supposed" perhaps loosely, I would say this, that in the public eye a chief forester has such and such duties to perform.

MR. ELLIOTT: Mr. Sharpe is the chief forester of the timber limits.

A. He has not that title. As I remember it, his title is chief clerk.

Q. Chief clerk of forestry.

A. Incidentally, if we may discuss Mr. Sharpe before him, Mr. Sharpe has been in the Department 18 years, is considered the technical adviser on all matters of cutting contracts and matters involving hundreds of thousands of dollars, and his salary is \$3,600.00.

Q. He is not complaining, is he?

A. I am not saying about that.

THE CHAIRMAN: All right. Proceed, Mr. Irwin.

WITNESS: Perhaps you will remember that in 1934, figures were published showing that the Ontario Hydro-Electric Power Commission had on its payrolls, at that time, 46 men making \$5,000.00 or more, in addition to the top-ranking executives. I submit that the trust held by these employees of the Hydro Commission is not a greater one than that held for the people of Ontario by its technical foresters. (Incidentally, our forest industries are one of the greatest, if not the greatest, single users of Hydro power in Ontario. Of some 36 graduate foresters now in the provincial service, a total of about 17 are in the home office, making occasional trips out, or are detailed to the work of reforestation.)

As a further example, I draw attention to the fact—and may I ask your protection, Mr. Chairman, to the extent that I am not able to state that a fact which was true two weeks ago or a month ago, is true to-day.

THE CHAIRMAN: I beg your pardon?

A. I ask your protection to this extent, that I cannot say that a fact which I knew was the case two weeks or a month ago, is true to-day.

THE CHAIRMAN: You are under oath, and if you are not sure that what you are saying is the truth, you had better not say it.

A. I understand that one man just resigned his position to-day, or a day or so ago—I do not know how long ago—so it is hardly to be expected that I should have that information right up to the last minute; at least, I think it is hardly fair that I should be expected to. May I proceed?

Q. Yes, proceed.

A. May I draw your attention to the area known as the Kenora district. This is given in the 1939 report of the Department of Lands and Forests as 9,600,000 acres in extent—an area of approximately 14,400 square miles, or a block 140 miles long and about 100 miles wide. This tract is presided over by a technical forester without technical assistance, and this man receives for his services, \$3,000.00 after 17 years' employment. Not only does he administer the fire protection organization, but also timber, and has various other duties. I visited that particular area this last summer, including the Nipigon, and I am rather familiar with it. The Sioux Lookout district comprises 18,200,000 acres, or 27,300 square miles. It is handled by a technical forester. I am not sure about technical assistance. Fort Frances, 4,300,000 acres (6,400 square miles), is in charge of a man who is not a graduate forester; he has, however, one graduate assistant. The district of Port Arthur, which is the second largest in size, contains 13,100,000 acres, or 19,750 square miles, approximately, which we can picture as a strip 60 miles wide, extending from Toronto to Montreal. This immense area is presided over, according to my understanding, by a man who is not a graduate forester, and has no technical forester to assist him, although, I am advised by Mr. Heenan that he is a graduate forester. This is the district in which the Great Lakes Paper and Abitibi paper mills are located, and do their cutting, and here also is the ill-fated Lake Sulphite. It is from this area that some of the best timber is being cut for export, in fact, some of the best timber left in Ontario. It is amazing that such a condition should exist. I will mention only one other district, that centred at Kapuskasing, which contains 12,900,000 acres, about 19,000 square miles, and is in charge of a technical forester who receives, after 14 years in the service, \$2,400.00.

In most of the agreements between the Crown and those securing the right to cut timber or pulp, there are conditions requiring certain practices, which on a casual reading, one would think would lead to a quite satisfactory cutting policy. I think no critic of the Department of Lands and Forests would say that we have not sufficient legislation to give the Government control of this cutting, which, presumably, looks toward the perpetuation of the crop, but with the staffs that are available in the forest districts, as I have pointed out, anything in the way of a strict adherence to a cutting plan could not be enforced, if indeed it were intended.

MR. COOPER: What do you mean, that there is not sufficient staff?

A. Yes, sir.

Q. What would you suggest?

A. I would say that you should have a well trained, what I would call, secondary personnel for every 10,000 cords or less, depending on the operation.

THE CHAIRMAN: For every 10,000 cords?

A. Yes.

MR. COOPER: What would you pay them?

A. I think such men should be employed on an annual basis, which I was going to come to under personnel, and I think they should be paid a \$100.00 a month up.

THE CHAIRMAN: Let me get this. You mean every 10,000 cords of cut?

A. For any particular job, Mr. Leduc.

Q. But you said there should be one man for each 10,000 cords.

A. One inspector for each 10,000 cords of cut.

Q. That is what I meant.

A. I am sorry I did not make that clear. That is the system they are using in Quebec.

MR. COOPER: I understand there are more men now in the service, than one man for every 10,000 cut cords. Do you think that information is wrong?

A. You mean in the Ontario forest service?

Q. Yes. How many men are in the Ontario forest service?

A. You mean field technical foresters?

Q. Yes.

A. Roughly twenty, in addition to the other gentlemen who are considered foresters.

Q. Do you mean that you should have a graduate forester for every 10,000 cords?

A. No; I would have what I would call secondary personnel. I want to come to personnel. They are trained in Quebec in what they call a ranger school.

MR. ELLIOTT: Of course, you cannot have everyone a graduate forester.

A. No.

Q. Even the companies do not employ that practice.

A. I certainly would not recommend that. Now that you ask the question, I would say that perhaps 12 of such men, or 15 such men could be directly responsible to a graduate forester, depending on the extent of the area and the intensiveness of the cut, and to what extent the cut is being made, on a closely scientific basis.

MR. COOPER: You suggested paying these technical men how much a month?

A. The secondary men?

Q. The secondary men, yes.

A. I said from \$100.00 up. That was my suggestion.

THE CHAIRMAN: Proceed.

MR. COOPER: Probably the members of this Committee should get a raise in salary, too!

THE CHAIRMAN: All right, Mr. Irwin, proceed.

WITNESS: When Mr. Sharpe was giving evidence, mention was made of a particular tract near Lake Nipigon, on which special cuttings were to be made, on what approaches a scientific plan. A somewhat similar idea is being followed at Timagami, and is contemplated in another area, to insure more mine timber for certain mines. It was indicated that the idea behind this particular set-up might be well expanded in many areas. With the present condition of personnel, such an expansion would be impossible. Indeed, it is out of the question to expect even general enforcement of the regulations for elimination of fire hazards. To leave this to the scalers is a ridiculous and unsatisfactory method.

If there is ever to be an expansion of cutting on something like a scientific basis, it will be necessary to have a large inspectorial staff of what might be called "secondary personnel". There must be men on every job day in and day out to see that rules are not violated. The necessity of cut inspection is particularly apparent in the case of the small operator whose interest in the forest which he is cutting ends when his logs are out of the woods. The large pulp and paper companies with their own foresters can be more reasonably expected to observe cutting regulations, providing the management is sympathetic and is not having financial difficulties. Further, it is only fair to competing companies that such regulations be enforced uniformly.

Much has been said about research, particularly as it applies to sales and improved methods of manufacturing. These are of great importance, but far more fundamental is the research necessary to make certain that we have a future crop to manufacture and sell. Nature gives no guarantee that a second crop of trees as valuable as the present will follow on any particular area when the forest is cut.

MR. COOPER: What is that statement again?

A. Nature gives no guarantee that a second crop of trees as valuable as the present will follow on any particular area when the forest is cut. Unless care is taken, first, a much smaller number of trees may compose the new forest, or, second, less valuable species will follow the more valuable. Or both results may follow. This is on the assumption that the area is adequately protected from fire—which in many parts of Ontario is only an assumption.

HON. MR. HEENAN: What do you mean by that statement, that fire protection in many parts of Ontario is only an assumption?

A. In the sense of protection, Mr. Heenan. I meant assured protection.

THE CHAIRMAN: Your statement was that in certain parts of the Province fire protection was only an assumption.

A. Which in many parts of Ontario is only an assumption.

Q. Yes, and Mr. Heenan wants to know what do you mean by the statement that it is only an assumption.

A. I mean that protection, apart from what is considered a service-protection is a different thing. The fact that a thing is guaranteed protection in such a manner that an insurance company would take it as a risk. If an insurance company would take it as a risk on a small premium, I would say it is protected. "Complete protection is what I am intending to say there.

HON. MR. NIXON: The insurance company takes insurance risks against the mills, but does it take an insurance risk against the forest areas?

A. Not in Canada, no; in European countries they do.

THE CHAIRMAN: You mentioned fire protection which, you said, in certain districts is only an assumption. The only inference we can draw is that in certain districts the people in charge of fire protection are not doing their duty. Is that what you mean?

A. Mr. Chairman, if I read the sentence preceding it I will make it clear: "This is on the assumption that the area is adequately protected from fire - which in many parts of Ontario is only an assumption."

Q. Yes.

A. When I say "protected" I mean that fire does not strike; not that there is no fire protection service.

HON. MR. NIXON: You said that if an insurance company would take the risk at a low premium you would consider it protected?

A. Yes.

Q. And you say now that no insurance company takes such a risk.

A. That is exactly what I intend to convey, that fire protection in Canada is still in the initial stages as far as results are concerned. In 1936 we burned 2,000 square miles, for one thing. You can take your records back in the Lands and Forests reports and you can see the tremendous areas that are constantly being burned.

MR. COOPER: You cannot have a system, no matter how elaborate it is, that is going to insure you against fire, can you?

A. I come to that later.

THE CHAIRMAN: All right, go ahead.

WITNESS: The handling of the forests so that they will continue to yield profitably in perpetuity, the aim of scientific forestry, is a highly technical and scientific business, requiring for even average success, study and knowledge greater than that required for comparable success in agriculture. Every variation of soil, slope and moisture content may present a different problem if the optimum tree growth both as to species and quality is to be secured. This fact has not been generally recognized in Ontario. Proper woods management requires not only that the trees be cut or removed in such a manner as to assure the protection and development of the thrifty trees, saplings and seedlings that remain, but may also include the seeding (or planting) of areas which are not already regenerated when the cut is made. It takes thought for the continuance of the more valuable species rather than merely securing reproduction of whatever will grow.

MR. COOPER: You say cutting should be done so that the saplings will be saved. How can that be done?

A. It depends entirely on the stand. If you have a mixed stand with a large variation in age and you are removing only certain of the large trees, obviously it is impossible to say you will save all of them.

Q. The felling of a tree certainly kills some of the saplings?

A. That cannot be avoided. But I have seen many trees felled very carelessly and thrown right into whole clusters of young growth.

It may specify any one of a variety of cutting methods or a combination of several, such as clear cutting, strip cutting, selection cutting, etc.

Such treatment of the forest requires much knowledge and experience. The experience available from other countries is valuable and suggestive, but must be supplemented by records in our own forests. In European countries, such experimenting and gathering of data is going on continuously, with results that are well known. If, by scientific management, we can double or triple our yield per acre, particularly on areas accessible to markets, the value of scientific management is obvious. In the accumulation of such knowledge, special experimental areas are necessary, but such should be supplemented by experimentation and recording wherever actual cutting operations are being conducted. This is necessary because, as suggested before, the many variations in soil, slope, moisture, etc., call for variations in handling. Two problems of great importance

to Ontario at the present time are, the replacement of pine and spruce in the new forests, by other species considered less valuable. The 1940 meeting of the Canadian Society of Forest Engineers was largely taken up with discussions of the problems of securing spruce reproduction—a very vital question. I have that report here, if any of you gentlemen would like to see it.

The proper carrying out of any forest management requires careful planning, and even, in some cases, marking of the trees to be cut. The success of the plan depends on careful adherence to the regulations laid down and penalties for breach of these regulations. Lumber and pulpwood operators are only human, and in times of stress, would observe forest regulations only if strictly enforced. Even the imposing of penalties for cutting contrary to regulations could not restore the injury to the forest if, for example, seed trees on which the plan of forest regeneration depends were among those cut.

It is easily seen that research of this kind requires the placing in the woods of a large number of technically trained men. The present personnel cannot even attempt anything comprehensive. Such research is quite in addition to anything the Dominion Government may do, although it might be carried on co-operatively with it.

In passing, may I say that if the replanting of waste lands in southern Ontario with tree seedlings is to be undertaken seriously, the present staff is quite inadequate, even to secure the best utilization of the seedlings now available for distribution. It should be pointed out that the seedlings distributed in 1938 were sufficient to plant out approximately 18,000 square miles, or a thousand seedlings to the acre. How insignificant such an annual planting programme is, compared with depletion from cutting, insects, and fire, is obvious. May I leave for consideration the thought that the replanting of southern Ontario should not necessarily be charged against forest revenues derived from the north.

MR. COOPER: Where would you charge it?

A. If it is to be done?

Q. Yes. You have to find the money some place, and the only revenue that is coming, I suggest, is from the north.

WITNESS: May I list the following recommendations for your consideration:

1. Legislation should be enacted to incorporate the technical foresters in Ontario, similar to that protecting lawyers, doctors, dentists, and land surveyors. Such legislation has been in force in the Province of Quebec since 1921 with excellent results, and was passed in 1937 by the Province of New Brunswick. Such legislation should do much to raise the status of foresters in Ontario, and give them more independence of action and speech than they now enjoy.

THE CHAIRMAN: I do not want to interrupt you, but I am wondering if that comes within the jurisdiction of this Committee. Is that part of the administration of the Department of Lands and Forests? After all, what you suggest is, that some legislation should be passed incorporating certain gentlemen in the same way as the Law Society or the Medical Association. I do not believe that comes within the Department of Lands and Forests, but go ahead.

A. I admit the criticism, but I think that inasmuch as the Ontario Government is a large employer of technical foresters, it may be interesting to them.

Q. Well, go ahead.

A. Since any programme of scientific forestry requires expert knowledge, it is obvious that all positions requiring this knowledge, or in which such knowledge is a useful background, should be filled by foresters or forest engineers, as graduates of university forest schools are called, in some parts of Canada. Such men have not only knowledge, but also the sympathy and sentiment necessary to a proper performance of all duties incidental to the raising and harvesting of crops of trees, and such qualities should also fit them to make a superior job of protecting them from fire and insect and fungal pests. The senior positions in forest administration work should not be filled by appointees, regardless of their lack of training, if the science of forestry is to be practised in Ontario.

2. Everything should be done to build up the *esprit de corps* of the entire forest service by assurance of security of tenure, freedom from political interference, and salaries comparable with those paid in other departments for a similar degree of responsibility. It is to be hoped that the day is not far distant when the Civil Service in Ontario will be on a non-political footing. I submit that if this possibility is too remote, the men administering our most important renewable resource should not be subject to wholesale dismissal without public hearing.

THE CHAIRMAN: In connection with that, I should like to read this to you, which I am taking from the 1939 report, page 31, under "District and Assistant Foresters". To shorten it I will not read their names, but I see that these men entered the service in the following years: 1924; 1923; 1923; 1928; 1923; 1935; 1926; 1910; 1930; 1923; 1926; 1934; 1927; 1921; 1919; 1924; 1921; 1930; 1928; 1935; 1934; 1928; 1918; 1930; 1908 and 1934. Does that look as if they had continuity of service? I see that only five have been appointed since 1934.

WITNESS: 3. For the close inspection necessary for the enforcement of cutting regulations under any scientific forestry plan, the Government should have a large number of what might be called "secondary personnel." These should be intelligent men of fair education, which education should be supplemented by additional practical and theoretical training. Theoretical training will not only make them more intelligent and alert about what they see and do, but also will give them sympathetic understanding so necessary to the proper performance of their duties. The addition of a small amount of botanical, zoological and entomological knowledge, coupled with some practical silviculture and surveying, makes a wonderful change in men of quite indifferent formal education. Men with such knowledge, present a great contrast in attitude and quality of work to those without. The employment of this secondary personnel, charged with the administration and protection of such valuable and vital resources, should be either by civil service examination or by their superiors in the service, and should not be dependent on the approval of the man who happens to represent the local constituency for the time being, or on that of the local committee.

MR. SPENCE: Where does this pamphlet that you gave us come from, the University?

A. No.

Q. Keep away from those representing the local constituency for the time being.

A. Every effort should be made to give such secondary personnel full-time employment, as it is obvious that men so employed will take more interest in their work, and be more loyal than those who are employed for only a few months each year. Such men could do fire protection work during the summer, and act as cut inspectors, scalers, etc., during the winter, with interim employment in forest improvement work. In this connection, may I remind you of Mr. Crosbie's comment on his part-time rangers compared with Mr. Macdougall's full-time men in Algonquin Park.

4. I recommend that those in charge of forest administration, immediately establish what might be called "ranger schools", similar to that which has been carried on successfully in Quebec for some fifteen years. Graduates of this school should be readily absorbed by the government service and industry, as in the case in Quebec.

THE CHAIRMAN: You mentioned that school once before. Where is that ranger school?

A. Just outside of Quebec City.

Q. Bergerville?

A. I think they had the school there at one time, but they have recently built a new building; the name of the place I cannot recall. I was there a year ago last winter.

Q. I thought Bergerville was the reforestation school?

A. It is. They had it there for a short time. I discussed that with Mr. Giroux, and he is entirely satisfied —

MR. W. G. NIXON: You say that graduates of their school should be absorbed.

A. By that I meant that the demand should be sufficient. I did not mean that it was imperative.

Q. Well, no, because, after all, there might come a time when there were more graduates from the school than would be required both by the Government and the industry.

A. Actually, they limit them in entering.

5. It would be well to have some technically-trained foresters free to keep

up to date with new forestry literature and economic trends in the industry, both in this and in foreign countries (e.g. southern pine). Ontario foresters never seem to have an opportunity of travelling in the United States or Europe, to see what is being done elsewhere, and this is a great drawback to progress and the development of the profession in this province.

6. I should like to lay it down as fundamental, that forest revenue should not be expended other than for forest protection and forest amelioration until our forests are properly protected, and regeneration of future crops ensured. I submit it is entirely uneconomic to use up our forest capital as we do at present. Forest owners (this includes the provincial government) and those exploiting the forest, may well expect aid from the Dominion Government in relation to the amount of wealth, as measured in various ways, derived from the forests. At the present time, based on a five-year average (1932-36) of exports, the Dominion Government expends for agriculture, 2.55 cents per dollar; on mining, 1.65 cents; on fisheries, 7.98 cents, but on forestry 0.18 cents. Based on the net value of production, the figures are 1.37 for agriculture; 1.23 for mining; 5.61 for fisheries, and 0.16 for forestry (Canada Year Book). During this period, forest products ranged third as far as exports and net value of production were concerned. In other words, the aid to the forest industries from the Dominion has been negligible.

THE CHAIRMAN: Excuse me, I am afraid I misunderstood you. You said that out of each dollar spent by the Federal Government, 2.55 cents went to agriculture?

A. No, I am sorry. Based on the amount of export of agricultural products per dollar, the Dominion Government spent that.

Q. I am sorry I misunderstood you. Go ahead.

A. 7. I submit that one of the reasons that our forest industries have suffered in this and other ways is, because of the ignorance of large sections of our population regarding their importance. In Ontario the great centres of population are far removed from lumbering as a primary activity. I recommend that everything possible be done to inform the public as to the importance of this resource and how vital it is to the welfare of this province. Those in charge of administering our forest resources should have a large budget for propaganda purposes, and should do all possible to help the formation of local conservation associations, and to encourage public-spirited citizens who will support the government efforts toward forest improvement.

8. I recommend the considerable expansion of detailed inventories similar to those brought to the attention of the Commission by Mr. Sharpe, in connection with the special project being undertaken near Lake Nipigon. Our present inventory, as Mr. Sharpe pointed out, gives figures useful for application to large blocks, but proper forest management requires much more refined handling.

9. To facilitate the exploitation of our forests, particularly with the non-floatable hardwoods in mind, a considerable extension of permanent forest roads is recommended. Such forest roads, augmented by trails and portages, would make fires more easily accessible.

10. It is important that the building of towers be pushed forward rapidly, until entire areas under supervision can be viewed from these towers.

HON. MR. NIXON: Do you know how many towers were built?

A. Thirty.

Q. Would you consider that a fair programme?

A. Fair expansion, but, as I understand it, there have not been any built since about 1934.

MR. ELLIOTT: Mr. Irwin is reading from his brief. Might he not put it in as an exhibit and save it going into the record?

WITNESS: There are a couple more items which I should like to read, if I might.

MR. COOPER: What Mr. Elliott meant was, that the reporter was not taking it down.

WITNESS: He has a copy and he is amending any slight changes that I may make.

THE CHAIRMAN: We have extended that privilege to other gentlemen, and I do not think we should make any exception. Go ahead, Mr. Irwin.

WITNESS: If this were done, flying could be pretty well relegated to its more proper position as a supplementary aid; it could, indeed, be largely cut down if the road and trail system was extended as recommended. The air service cost (in a report of March, 1939), was \$300,000.00.

11. More must be done about the elimination of fire hazards in the form of brush and slash, particularly in travelled areas. Fire weather prediction, which is becoming a science, should be taken in to consideration. The investigation of causes contributory to lightning fires should also be undertaken; the number of these being reported seems on the increase. There are many flagrant violations of the restrictions regarding the leaving of hazardous material by those operating in the woods.

12. In certain parts of the province where settlement has been undertaken, the survival of the settlers depends on supplementing income from agriculture, by revenue from their own wood lots, or from work for others in the woods. While active lumbering was going on in southern Ontario, the farms in what are now backward sections of the province, were able to make a reasonable livelihood. This should suggest the possibility of the economic rehabilitation of such areas, and the development of publicly-owned forest land in such sections with this in mind. (This is also being suggested, and I understand being considered by the Government for certain parts of the clay belt.) Small local industries might be encouraged, but in no case should a larger operator from an outside area be permitted to clear and cut large tracts of such forest. In some such backward sections, the growth of the tourist business has been a godsend without which survival would have been impossible.

An eminent Finnish forester, who was here a year or more ago, expressed the opinion that if Ontario persisted in what is considered the usual course of forest exploitation in a new country, the force of circumstances might make the southern part of the province the scene twenty or thirty years hence of the application of real forestry policy.

13. I recommend that consideration be given to the forming of a Commission to administer lands and forests, and would present the following considerations:

- (a) There would be a greater continuity of policy; at the present time, one Minister of Lands and Forests may nullify much of the work of his predecessor.

Please do not misunderstand me, gentlemen. Nothing I say is personal. I have the good of the cause entirely at heart.

- (b) With such a Commission, the recommendations of the technical staff would be sure of a fair and reasonable hearing; at the present time one official who is not a technical forester can reject such proposals, and there is no recourse. Such an arrangement does not tend to build a resourceful and aggressive body of public servants, active to improve the administration of a resource belonging to the public, who at present have no organization to insist on wise management.
- (c) A Commission of men, coming from various parts of the province, would not be subject to the same degree of pressure for special favours that individual ministers often are.
- (d) Members of the Commission could be assigned phases of the work as their chief responsibility, such as fire protection, cutting regulations, research, reforestation, tourist attractions, etc. In this way, at least, one man in a position of authority and in the public eye could be reasonably expert in one or more departments. Under the present system, the Minister of Lands and Forests may be in a position of knowing very little about certain phases of the work of his department.
- (e) It seems to be the case that trained servants of a commission form of administration, are not subject to the same extent, to wholesale and unfair dismissal. A Commission should be more likely to realize the value of the work of its employees.
- (f) A Commission could devote its entire time and thought to administrative work, without concern for the results of periodic elections.
- (g) The best interests of our forests will be served, if those in charge of their administration, take the public into their confidence and secure their co-operation. This a Commission seems better able to do than a Government Minister.

THE CHAIRMAN: To whom would that Commission be responsible, Mr. Irwin?

A. I would have it responsible—I do not like to speak off the bat—it could be responsible, I think, since the forests now are vested in the Government, it would have to be invested in the Government, I should think.

Q. In the Government?

A. I should think so.

HON. MR. NIXON: Does any province in Canada have that system?

A. Not in Canada.

(h) The Commission should receive all revenue from the forest, and have the right to accumulate reserves, since fire protection and inspection must go on in bad times as well as good.

(i) It seems a logical development, if a commission form of administration were established, to place the handling of the game and fish resources under such a commission.

HON. MR. NIXON: Also the mines.

WITNESS: There seems little reason why trained forest rangers, cut inspectors, etc., who are constantly in the forests, could not combine the two types of work. Particularly if they were given some training, they could act as intelligent observers of natural phenomena and make the numerous reports required in the field of game and fish management.

Q. Don't they do that now?

A. Only in part. If they are asked for very special data, I understand they do report.

Q. Don't they keep an eye on the observance of the Game and Fisheries Act?

A. In conclusion, I should like to take a broad, dispassionate look at the problem without recrimination. It is unfair to point out the lumberman or government official, and charge him with responsibility for the present state of affairs. It is said that it was inevitable that our forest resources should be dissipated, as this is what always happens in a young country. If we admit that, is it not time to call a halt, take stock and make plans for the future? I am not concerned about the immediate future of our wood-using industries as far as supplies are concerned, but in looking forward to the day 20 or 30 years hence, when, if matters are allowed to go on as they are, it is reasonable to expect that a very great deal of our best remaining wood will have been used, and large sections of the country will have been burned over. At that time, the vast amount of second growth now being carefully nurtured in many parts of the United States will be in a position to offer competition; the southern pine, the annual increment of which I was informed by government officials in Washington, can be increased four times if forestry practices are followed in the south, will be an even greater threat; and the huge plantations of seedlings which have been made in the United States over the last six years will be approaching useability. If at that time the

only wood left in Ontario is what is now considered almost inaccessible, I think you will agree that we shall be in a sorry plight. The Federal Government in the United States is spending on forestry projects over a hundred million dollars every year, or about twenty-five times the revenue received, and this is entirely in addition to many millions spent by the various State authorities.

As I see it, our only salvation in this matter is to be in deadly earnest about it, to realize what a vital contribution to our provincial and dominion welfare the forests make, and even to forget for the time being, the expense involved, until our forests are put on a sustained yield basis, at least those areas which give reasonable expectation of ultimately paying their way because of the quality of the tree crop and accessibility. We should not forget that at the present time, tariffs favour the importation of our wood products into the United States; thirty years from now there may be a great clamour in the United States for protection against our forest merchandise. Surely the problem requires an up-to-date and informed outlook, not that of the pioneer. Thank you, gentlemen.

MR. DREW: On that one question, where you spoke of the game and fish being under the same control as timber, is there any place you know of where that is done at the present time?

A. In New York State. And in quite a number of the States they have conservation commissions there.

HON. MR. NIXON: And the same commission which administers game and fisheries administers forestry?

A. Yes.

MR. DREW: Forestry comes under that same commission?

A. Yes.

THE CHAIRMAN: In Quebec, I think it is quite different; there is a Minister of Lands and Forests, there is another Minister who administers game and fisheries, and a third Minister who looks after the Maritime fisheries.

A. In connection with the Maritime fisheries, I understand there was a recent consolidation under Mr. Cote.

Q. I know the same Minister is not responsible for fishing in lakes as fishing in salt water.

A. I have spoken to the officials of the Department, and they look forward to it as an ideal not yet realized.

THE CHAIRMAN: Are there any more questions, gentlemen?

HON. MR. HEENAN: There may be a lot in what Mr. Irwin says about technically-trained men being used in greater numbers. The only thought I had was, that in connection with our lumberjacks, the men who go into the lumbering business, into the woods, become fire rangers, and so on, there is going to be little

opportunity for their advancement if we have always to take technical men. There would be little encouragement for a man to stay on his job, get interested in it and learn in the bush.

I think Mr. Irwin will agree with me that there are a great many young men who go into the bush lumbering, logging, acting as fire rangers, etc., who become very efficient men; and I do not think that they should be held back from promotion just because somebody else has had an opportunity to attend school.

WITNESS: I would certainly agree with that, Mr. Heenan. I think a comparable attitude and a comparable education, regardless of how achieved, should certainly be rewarded. I am not in any sense taking an exclusive point of view. I mean that the men who have opportunity for education, have a background that the others clearly do not achieve.

HON. MR. HEENAN: I find our most efficient fire fighters—and I knew it before I came into the Department—are men who were brought up in the bush, know how to get around the bush, and know how to fight fires. They are the most efficient fire fighters that we have. In fact, the records will show that at some places where we had the most highly trained men—and I am not saying this disparagingly at all, because we cannot help these things—we had the greatest losses by fire. Take the Port Arthur district in 1930. We had eminently trained men there, good fellows, and yet, you see the loss of fire we had that year in that particular locality. Now, the trained men were not responsible for that; but their training did not stop the fires. It is one of those things you can rave about from now until to-morrow, and you will still be right, you can't be wrong. For instance, we had a witness here the other day who said that the more efficient fire-fighting equipment we had the more fires we got. And he hardly got home until a home was burned right under his nose, with a loss of life. We have, in the City of Toronto, I suppose, one of the most efficient fire-fighting machines anywhere in Canada, yet you will find homes burned down with great loss of life.

HON. MR. NIXON: Yes, even hotels burn and churches.

HON. MR. HEENAN: And churches, too. So that when you have conditions like that in congested cities, what do you have over a large number of areas such as Mr. Irwin is talking about?

THE CHAIRMAN: Is there anything else, gentlemen? Well, thank you, Mr. Irwin.

MR. DREW: Thank you.

THE CHAIRMAN: If it is agreeable to the Committee, we will adjourn *sine die* to meet at my call. In the meantime, there are certain exhibits that are to be filed which we have not yet received, and I will ask the Secretary to prepare a summary of different points which have been brought up in the evidence, and upon which our discussions might be based whenever we meet again. Is that satisfactory to the Committee?

All right, then, the Committee is adjourned *sine die*.

At 5.35 p.m., Tuesday, May 7th, the Committee adjourned *sine die*.

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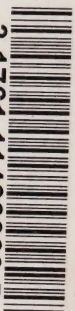
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